Daily Report

Latin America

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IPU Paraguay Delegate Requests Iraqi Pullback

PY1710171190 Asuncion ABC COLOR in Spanish 17 Oct 90 p 2

[Report by Eliseo Paciello]

[Text] Punta del Este, Uruguay—The Persian Gulf crisis was once again the most debated topic yesterday at the 84th Interparliamentary Union [IPU] conference. The First Committee, which deals with international security and disarmament, has created a subcommittee that will draft a resolution on this subject. The resolution will be debated by the conference plenum on 20 October. The Paraguayan delegation called for the immediate withdrawal of Iraqi troops.

Yesterday this committee began to consider the support granted by the respective legislatures to the UN resolutions that condemn the Iraqi annexation of Kuwait and the measures that seek to re-establish peace in the Persian Gulf. In this respect, a subcommittee was created to draft a resolution that will be debated by the plenum on 20 October.

During this debate the Paraguayan delegation, represented by Colorado Party Deputy Julio Cesar Vasconcellos, proposed the withdrawal of the forces that are occupying Kuwait and the restoration of the legitimate government. Vasconcellos maintained that international aggression "violates the UN Charter and the principles of civilized coexistence among nations."

He also indicated that a confrontation in the Persian Gulf would cost many lives and huge economic losses that could be used for the needs of humanity. He stated that at this time humanity has urgent need of those funds.

Vasconcellos said: "It is a pity that these funds are being invested in the re-establishment of international order in the Middle East."

He maintained that Iraq cannot cite the harm caused by its own aggressive action as justification for that action. "Paraguay believes that any type of negotiation for a peaceful solution to the crisis must be preceded by the unconditional withdrawal of the forces that are occupying Kuwait and the restoration of the legitimate government," the Paraguayan delegate concluded.

Declaration on Gulf Urged

PY1810153790 Montevideo Radio El Espectador Network in Spanish 1100 GMT 18 Oct 90

[Excerpts] During the fourth day of meetings at the 84th Conference of the Interparliamentary Union [IPU], the political committee studying the Persian Gulf situation recommended that the IPU plenum approve a declaration supporting the new resolutions adopted by the UN Security Council on the (?topic). [passage omitted]

The document drafted by Uruguayan Senator Sergio Abreu and the approved [as heard] proposal are based on an initiative by France and the UK that calls first for the withdrawal of Iraqi troops from Kuwait and the subsequent withdrawal of regional troops that have been stationed in the conflictive zone. [passage omitted]

Central American Vice Presidents Meeting Set

PA1810030690 Panama City Circuito RPC Television in Spanish 2300 GMT 17 Oct 90

[Passages in italics are recorded]

[Text] The Vice Presidents of Nicaragua and El Salvador, Virgilio Godoy and Jose Francisco Merino, respectively, arrived at noon today at Panama City's Tocumen Airport. They were received at the airport by Panamanian First Vice President Ricardo Arias Calderon. Arias Calderon said that the purpose of the Central American vice presidents meeting that begins today is to promote the integration of the Central American countries as part of the search for mutual assistance in the fields of education, health, telecommunications, and energy.

The Vice President of Costa Rica, German Serrano, arrived at the airport in the afternoon. He was received by Deputy Foreign Minister Jose Raul Mulino. The three Central American vice presidents spoke about the democratization processes in their country:

[Godoy] *We are encouraged with what is happening in Panama, because in Nicaragua we are exerting great effort to bring our people along a truly democratic path.*

[Merino] *Our country has been developing a process of consolidation, but not just in the democratic field; we have also secured achievements in economic and social areas. This allows us to say with confidence that soon the state of de jure will be fully recovered and that conditions will exist providing citiizens with physical security and opportunities for progress.*

[Serrano] *The most important objective is economic integration, to have common goals as the brotherly countries that we are, to have suitable integration organizations, and to have Panama sign all of our [Central American] treaties, which are being revised. I believe that now that we are reviewing the mechanisms for integration of the past, Panama could perfectly fit in and participate so that a future treaty may be to the liking of the six countries.*

This 15th meeting of Central American presidents that will take place for the next two days will be dedicated this afternoon by President Guillermo Endara. Our country will participate as an observer.

Cuba

Rodriguez Cites Basis for Discussion With U.S.

FL1810130990 Havana Tele Rebelde in Spanish 1100 GMT 18 Oct 90

[Text] To our understanding, Cuba is a democracy, Carlos Rafael Rodriguez, vice president of the Councils of State and Ministers affirmed in statements published today in the Madrid newspaper EL PAIS. Rodriguez said that in our country, there is a government of the people, for the people, and by the people, and that unlike other countries, there is authentic socialism in our country because there is a great relationship between the leadership and the people, who have been directly involved in government, both as participants and as critics. Not a single important decision has been made without consultation, he said.

After mentioning our economic difficulties and the lack of certain supplies that were formerly obtained from East European countries, Carlos Rafael Rodriguez referred to the conflict with the United States and reaffirmed that we are prepared to discuss our differences on the basis of three premises: Cuba's right to maintain a socialist system, the dismantling of the Guantanamo Naval Base, and the reestablishment of normal relations, the Spanish newspaper said in conclusion.

Minister Announces New Payment System

FL1810215790 Havana Radio Reloj Network in Spanish 2035 GMT 18 Oct 90

[Text] Agriculture Minister Carlos Perez announced the establishment of a new payment system in livestock enterprises during the 11th plenum of the National Committee of the Livestock and Agricultural Workers Union being held in this capital. He said the system is also organizational in nature and includes the establishment of technological, discipline, and production rules and the elimination of quotas. It will also reduce the amount of personnel employed by each unit.

Perez asserted that the new organizational and payment system is very similar to the one being used at the miscellaneous crops enterprises that use microjet irrigation system in banana plantations and has brought good results. The agriculture minister urged labor leaders to provide support for the soil preparation work and fulfill the planting schedule and other productive tasks.

Officials Welcome Returning Troops From Angola

FL1810133890 Havana Tele Rebelde in Spanish 1100 GMT 18 Oct 90

[Text] Another group of internationalist fighters has returned from the Republic of Angola. With the slogan: Socialism or death, they arrived in the homeland rejoicing at having done their duty. These are the young soldiers who have demonstrated once again the strength of internationalism and our people's courage.

The soldiers were received at the airport by Orlando Lugo Fonte, member of the Central Committee of the Communist Party of Cuba and president of the ANAP [National Association of Small Farmers], Brigadier General Giraldo Moya of the FAR [Revolutionary Armed Forces], and Brigadier General Manuel Fernandez of the MININT [Ministry of Interior].

Many of the soldiers told us how much it meant to them to have carried out this mission in another country, not only because of the military experience gained, but also because they have been politically and morally trained for any revolutionary task.

UN Ambassador Attends Harlem Solidarity Rally

FL1910003290 Havana Radio Rebelde Network in Spanish 0000 GMT 19 Oct 90

[Text] The U.S. Movement of Solidarity with Cuba reiterated today in New York its criticism of the U.S. plans to reinforce the blockade against our country. The mobilization takes place at a time when Congress is discussing new amendments aimed at preventing Cuba from trading with any country in the world under the current international situation.

One of the legislative proposals regarding the Chemical Weapons Law was introduced by Florida Senator Connie Mack. The proposal bans U.S. subsidiaries abroad from dealing with Cuba. Another proposal made by Representative Larry Smith was attached to the International Activities Law. This amendment will allow the seizure of third countries' ships that visit Cuban ports, the reduction of economic aid to those who buy sugar, and the imposition of $50,000-fines on U.S. citizens who travel to Cuba.

The U.S. popular movement, grouped in the Hands-Off Cuba Coalition, held an emotional rally last night held in support of our country at the Clayton Powell Building in the Black Harlem neighborhood. The movement reiterated its support for Cuba and commemorated the 30th anniversary of Fidel Castro's and Black leader Malcolm X's—who was assassinated in 1964—meeting in New York. President Fidel, who in October of 1960 headed the Cuban delegation to the UN General Assembly, stayed at the time at the Teresa Hotel in Harlem because of arrangements made by Malcolm X.

Ambassador to the UN Ricardo Alarcon expressed his appreciation for the support given to Cuba for 30 years. The diplomat said the Cuban people are now fulfilling the most sacred internationalist mission of its history, which is to save the revolution. Alarcon also explained that President Fidel Castro, who was invited to the Harlem solidarity rally, was not able to attend because he is at the head of Cuba which is facing economic difficulties resulting from the U.S. blockade and the collapse of the East European market. Alarcon thanked Queen Mother Moore, who is in her nineties and is founder of the 1920 civil rights movement, for attending the event.

The Cuban ambassador received a painting made in prison by Afro-American political prisoners from the rally organizers . He also received a plaque and a diploma dedicated to the heroic people of Cuba for their unconditional commitment to internationalism.

Science Official Discusses Cooperation in Caracas

FL1810142690 Havana Tele Rebelde Network in Spanish 1100 GMT 18 Oct 90

[Text] The agricultural spheres of biotechnology and health are potential areas for cooperation between Cuba and Venezuela, said Rosa Elena Simeon, alternate member of the Politburo of the Communist Party of Cuba and president of the Cuban Academy of Sciences, during a meeting in Caracas with Dulce Arnao, Venezuelan minister of science and technology.

The two officials discussed bilateral links between their two countries and areas of possible trade between Venezuela and Cuba. Rosa Elena Simeon told the press that bilateral relations between the two nations are good in the scientific-technical area. She also mentioned certain Cuban scientific achievements, such as the vaccine against hepatitis B, the effectiveness of which has been proved in Cuba and abroad.

DPRK Minister Studies Hydroelectric Project

FL1910020090 Havana Television Service in Spanish 0100 GMT 19 Oct 90

[Report by Rosa Maria Fernandez from Baracoa, Guantanamo Province]

[Text] Kim Tal-hyon, first vice premier and foreign trade minister of the DPRK, has visited Baracoa to review details of the ongoing study for the construction of the Toa-Duaba hydroelectric power complex with the cooperation of that fraternal country. This is the first large-scale hydroelectric power project scheduled to be built in Cuba. It includes dams with the capacity for 161 billion cubic meters of water in the Duaba River and close to 2 billion cubic meters in the Toa.

It is considered to be the country's largest reservoir. The Toa and Duaba have parallel courses and different levels. It is believed that once power is produced in the Duaba, the water will flow with gravity through a tunnel until the Toa and energy production will be increased when the water of the two rivers meet at the hydroelectric power plant in the largest river of Cuba.

It is estimated that approximately 185,000 metric tons of fuel will be saved annualy. According to specialists, the flow of the two dams is so great that they would not considerably affect the rivers downstream.

After he was given all the details, the representative of the DPRK Government referred to the state of relations with Cuba.

[Begin Kim Tal-hyon recording in Korean with superimposed Spanish translation] Our friendship comes from a relation between fraternal peoples determined to carry out a joint struggle in spite of problems. It is an eternal friendship basically because of the relations existing between the great leaders Comrade Kim Il-song and Fidel Castro. We are united by the same ideal, socialism; and a common enemy, U.S. imperialism. Our relations are more solid at this time when socialism has undergone many changes. I would be happy if my presence helps to strengthen them. I wish you the best success in the construction of socialism. [end recording]

PRC Labor Official Visits Blas Roca Contingent

FL1910021290 Havana Television Service in Spanish 0100 GMT 19 Oct 90

[Text] (Huang Pin Kiang), deputy chief of the safety and occupational health inspection bureau of the PRC Labor Ministry, visited the Blas Roca Calderio Contingent headquarters today. The official and the delegation accompanying him received a detailed briefing on the contingent's work principle and its results.

The visitors showed great interest in learning about work safety and protection in our country and the correct use of the workers' protection resources. This meeting in the Cuban capital is included in the intergovernmental cooperation agreement between Cuba and China related to employment, work protection, and social security. As part of the agenda, they toured the Cohiba Hotel construction project and exchanged views with the builders. They will return to their country on 27 October.

Belizean Health Minister Visits Pinar del Rio

FL1810201090 Havana Radio Reloj Network in Spanish 1932 GMT 18 Oct 90

[Text] Belizean Public Health Minister Dr. Theodore Aranda has visited Pinar del Rio Province as part of a tripartite cooperation agreement between his country, Cuba, and the Pan-American Health Organization. Aranda arrived in Pinar del Rio accompanied by Dr. Jorge Antelo, and announced that talks are being held to send a brigade of six doctors to Belize and nine Belizean doctors will come to our country for specialized studies.

The purpose of the Caribbean official's visit to Pinar del Rio was to learn about the territory's health system which has a current infant mortality rate of eight out of every 1,000 babies born. The Belizean minister said the Cuban people receive good care. He added: We are here not only to observe your experiences but also to learn. Theodore Aranda began his tour through Pinar del Rio health centers with his visit to the Abel Santamaria Hospital.

Dominican Republic

PLD Leader Defends 'Democratic Process'

FL1810165090 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 18 Oct 90

[Text] PLD [Dominican Liberation Party] Secretary General Lidio Cadet has stated that his organization will defend the country's democratic process tooth and nail, no matter who is in power. He said that all sectors want the problems to be confronted, and asserted that if this were to happen, no one would advocate a change in government policy. Interviewed on the "For Everyone" [Para Todos] morning television show, which is broadcast daily on TV 13, Cadet said that the PLD has no problem with any sector, but rather the important thing is for the nation's problems to be solved.

Grenada

Premier Returns From Official Visit to Taiwan

FL1810214590 Bridgetown CANA in English 2123 GMT 18 Oct 90

[Text] St George's, Grenada, Oct 18, CANA—Grenada's Prime Minister Nicholas Brathwaite returned home on Wednesday night following an official visit to Taiwan. Brathwaite, describing the visit as the best of his public service career, told reporters at an impromptu airport news conference that his discussions with Taiwanese officials covered trade, investment, and technical assistance to the agriculture sector.

"A team had come here last year and prepared certain proposals, and we are now satisfied that within the next month, an agreement will be signed and the team will return to help us in several areas of agriculture, such as horticulture, reforestation, pasture development, and those areas which are particularly relevant to the development of agriculture," he said.

Also, Grenada will shortly receive an EC 27 million dollar loan from Taiwan.

TNP Internal Situation Termed 'Chaotic'

FL1810232090 Bridgetown CANA in English 2240 GMT 18 Oct 90

[Text] St. George's, Grenada, Oct. 18, CANA—Rifts appeared to be developing in former Grenada Prime Minister Ben Jones' party on Thursday, with a senior official complaining it was in a chaotic state.

Chief Executive Bennet Andrew said: "The situation within the party is chaotic. It is one of confusion, name-calling and finger-pointing." But the general secretary of the party, Paul Lander, said it was in the process of re-organisation.

Andrew asserted that The National Party (TNP) was "in a coma and you don't know whether it will die or if it is going to wake up." He said many of the positions in the party, including that of general secretary, were unconstitutional. He complained that the party was being run by a clique which is trying to bypass him as chief executive. "They have interfered with the highest order of the party by appointing people to important positions without a convention, positions which our constitution does not even cater for," he said.

Jones teamed up with Prime Minister Nicholas Brathwaite after his party made a poor showing in the March 13 general election. Andrew said that Jones—now agriculture minister—seems to think that he can continue as party leader without holding a convention.

"Here is a man who has been unable to deliver anything to his party by joining with the government. If he has any thought for the country and the party he would take a back seat," Andrew remarked. As far as I am concerned he is no longer TNP. He left his party and joined the NDC (National Democratic Congress). He was never mandated to do what he did."

He says Jones cannot criticise what is going on in the government nor can the TNP because its "leader" is part of the policy-making body. General Secretary Lander said, however, that the majority of party's executive believed that Jones and another successful TNP candidate, Alleyn Walker, should be part of the government in the national interest. He said TNP is not in a formal coalition with the NDC but is merely supporting the government with its two seats in Parliament.

"While some of the philosophies of the ruling NDC and the TNP are similar, others are not," he asserted. According to Lander, TNP has expressed some concern over the running of the country, but he admitted that the job was difficult with two of its members sitting in government.

Lander says Jones' position as party leader has never been challenged in a vote, but Jones has indicated he will continue to lead the party once the executive wants him to.

Haiti

Government Decree Establishes Crime Commission

FL1910115690 Port-au-Prince Radio Metropole in French 1600 GMT 18 Oct 90

[Text] A government decree has authorized the formation of an Investigating Commission which will be comprised of five members who will be in charge of investigating the causes and circumstances regarding the tragic events that have occurred over the past four years: 26 April 1986; 29 November 1987; 11 September 1988; 21 June 1990 in Santos; 29 June 1990 in Petionville; the slaughters in Jean-Rabel, Labadi, Piatre, Cabaret, and Perodin. The commission will also be in charge of reporting the main guilty persons to the Justice Department.

According to the government decree dated 5 October, the five members of the commission will be selected from sectors best known for their courage, credibility, honesty, impartiality, and moral authority. They will be appointed by presidential decree for four months, renewable if necessary. Transportation and other necessities will be provided by the Haitian Government. During the entire operation, the Investigating Commission will have the authority to take action in all criminal cases anywhere in the country.

Thirty-Seven Percent of Electorate Registered

FL1810181190 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 18 Oct 90

[Text] According to figures published yesterday noon by the Provisional Electoral Council, as of 17 October, 37 percent of all eligible voters have registered. The number of registered voters in the nine geographic departments of the country is as follows:

Northwest—49,377 out of 182,062—27.12 percent

Grand'Anse—90,061 out of 179,543—53 percent

South—228,622 out of 373,893—61 percent

Center—33,577 out of 221,016—15 percent

Artibonite—174,503 out of 445,275—39 percent

Northeast—41,271 out of 110,159—37 to 38 percent

North—144,449 out of 338,859—42 percent

Southeast—100,643 out of 210,388—48 percent

West—293,774 out of 1,057,000—27 percent

These figures indicate that as of noon yesterday, an average of 37 percent of the electorate have registered throughout the country.

May we remind you that the deadline for voter registration is next Friday, 26 October.

Jamaica

JLP Leadership Suspends Senator Gordon-Webley

FL1810160090 Bridgetown CANA in English 1455 GMT 18 Oct 90

[Text] Kingston, Jamaica, Oct 18, CANA—Opposition Jamaica Labour Party [JLP] Senator Joan Gordon-Webley, fired last week as executive secretary of the Caribbean Democrat Union [CDU], has been barred from carrying out any duties on behalf of the party, the JLP reported.

In a statement, issued late Wednesday and signed by General Secretary Ryan Peralto, the party said the standing committee of the JLP on Tuesday decided to suspend Senator Gordon-Webley from active duties pending investigation by the disciplinary committee into recent public statements made by her.

The statement did not elaborate but Senator Gordon-Webley reportedly described party leader Edward Seaga as power hungry following her dismissal from the CDU. The suspension which takes effect immediately will preclude Senator Gordon-Webley from functioning as caretaker for the east rural St. Andrew constituency and as member of the central executive of the standing committee as well as president of the Women's Freedom Movement, the woman arm of the JLP.

Senator Gordon-Webley has sided with a dissident group of five JLP members who have been fired from their shadow ministry portfolios. She accused Seaga of behaving differently towards her after she told a JLP high level meeting last month that the party needed to get over its differences and embrace the so-called "Gang of Five."

Seaga who is chairman of the CDU said he was replacing Gordon-Webley to allow the CDU—a grouping of conservative parties in the region—to move away from the present emphasis on political organisation to the development of an educational programme in the free market system.

El Salvador

Radio Reports Situation 'Normal' in San Salvador

PA1810134390 San Salvador Radio Cadena YSU in Spanish 1323 GMT 18 Oct 90

[Report by Carlos Mario Marquez]

[Text] A few moments ago, we passed through the eastern sector of San Salvador and we were able to see that everything is completely normal. Buses and private vehicles are circulating normally. All activities are normal in the areas of Ilopango and Soyapango. We drove up to the Air Force installations where we were told that [Air Force Commander] General Rafael Villamariona is scheduled to hold a news conference at 1000 to give details on the damage caused by the armed actions last night. No details of the damage were given. It was only reported that there was damage in some locations. Nothing was said, however, about the extent of the damage.

Air Force Commander on FMLN Attack

PA1810184390 San Salvador Radio Cadena YSKL in Spanish 1600 GMT 18 Oct 90

[News conference by Air Force Commander General Rafael Antonio Villamariona with unidentified reporters at the Ilopango Air Force Base in San Salvador—live; broadcast in progress]

[Summary From Poor Reception] [Villamariona] "We have a report" that "eight pacas [tepeizcuinte]—that is what they call their devices—were found in a house at the Santa Eduvigis neighborhood. Seven of them had exploded and one had not." Several "drums full of explosives" were also found at the site and "our units were able to defuse them. Three more pacas were found" at "Las Palmas neighborhood."

"We want to emphasize the fact that the rebels are again using the civilian population" to launch their attacks. "A truck with five pacas, which were defused," was found "near San Bartolo." The people have reported "that the houses used by the terrorists to launch their famous offensive on our Air Force base" had "been rented 20 to 30 days ago."

Furthermore, "the rebels fired some M-60 mortars, hitting the northeastern part of the base." Our guards "clashed with approximately 25 terrorists, who fled from our forces."

"We have sustained five casualties." Three sustained minor injuries and "two were wounded by shrapnel."

[Reporter] [Question indistinct]?

[Villamariona] "We do not know how many devices were fired," but we sustained minimal damage. I want to emphasize "that the terrorists are again hiding among the civilian population and we will not allow this."

[Reporter] [Question indistinct]?

[Villamariona] "Six helicopters" were "hit by shrapnel" but "they can still fly." "We will not fly them for the time being," however, because "they might crash." The helicopters "windshields will be changed in a couple of hours."

[Reporter] [Question indistinct]?

[Villamariona] The "Air Force's base was never infiltrated."

[Reporter] "The guerrilla forces" launched a campaign "to announce an offensive in the near future." Are "the Armed Forces prepared" to reject the offensive?

[Villamariona] I think that this is the attack they were talking about "but the damage has been minimal" and we are prepared. "I do not think they are capable of launching another offensive." They might be able to "harass military installations," but that will be all.

[Reporter] [Question indistinct]?

[Villamariona] "I think this was part of the offensive—the famous offensive they had prepared." We "do not really know" if they brought down units from the volcano. "The forces we have around the installations did not report movements in the San Jacinto Hill area" or in the southern area. "We had suspended the searches in the area," and I believe that it would be advisable to enforce some kind of control around the civilian population.

[Reporter] [Question indistinct]?

[Villamariona] "I believe that this type of aggression will convince the U.S. Congressmen" that they should "complete the aid that we need so much." They will see for themselves "that these aggressions will continue," and the civilian population is the one which suffers the most. The people have "hardly slept all night" because of the explosions and everything else.

[Reporter] "How many devices hit the installations?"

[Villamariona] Possibly "seven" or "ten." They caused only "minor damage."

[Reporter] "What kind of devices were these?"

[Villamariona] "We know about the pacas," which are "filled with explosives and launched with catapults," and the RPG18s. "We found some which did not explode."

[Reporter] "What about security around the base? Did the attack occur despite the security forces around the base?"

[Villamariona] "The security around the base remained intact" because the rebels did not approach its positions.

[Reporter] "This means that the attack was perpetrated from afar. We saw helicopters flying over the southwest area, in the San Jacinto area," and then over the northern sector.

[Villamariona] "It seems that a group of approximately 25 terrorists wanted to reach" the neighborhoods in the northern area but "they clashed with our forces and fled."

[Reporter] "General, was anyone captured?"

[Villamariona] "No, I have yet to receive information" on that.

[Reporter] [Question indistinct]?

[Villamariona] "I was told that the troops found some vehicles" in that area.

[Reporter] [Question indistinct]?

[Villamariona] "In the southern area," which is "unpopulated and mountainous."

[Reporter] [Question indistinct]?

[Villamariona] "The terrorists want to infiltrate the civilian population and we will not allow this."

[Reporter] [Question indistinct]?

[Villamariona] The weapons were "manufactured in the country" but the people who manufacture them "were trained in Nicaragua." That is where "they were trained to use this type of explosive device."

[Reporter] Why do you think they were trained in Nicaragua?

[Villamariona] "Because we have information" on this. "There are three or four photographs where some weapons are being tested."

[Reporter] [Question indistinct]?

[VIllamariona] "The photographs and all the information I am giving you" is realiable.

[Reporter] "Does Mrs. Chamorro's administration approve" of the fact that all this was being done in Nicaragua?

[Villamariona] "Mrs. Chamorro is trying to evict these people by all means."

[Reporter] "Judging by what you say, the efforts have failed."

[Villamariona] No, "they learned to use these devices during the Sandinist administration."

[Reporter] [Question indistinct]?

[Villamariona] "Now we knew that they are over there in Nicaragua." Mrs. Chamorro has tried to deal with the problem to prevent these type of actions.

[Reporter] [Question indistinct]?

[Villamariona] "Near the Santa Eduvigis neighborhood and the Santa Lucia neighborhood."

[Reporter] "If the rebels hide among the civilian population, would the Air Force again [words indistinct] bombings?"

[Villamariona] "We do not order bombings against the civilian population." You can observe the zone [words indistinct] used a strategy to reach the areas by land.

[Reporter] [Question indistinct]?

[Villamariona] "We know that one vehicle was destroyed, one vehicle was burned, and six helicopters [words indistinct]." We will "take you to see the helicopters, and I expect you will want to talk with the officers [words indistinct] take you to see the houses that the terrorists used to launch the attacks."

[Reporter] [Question indistinct]?

[Villamariona] "We do not know. We have information from the civilian population," indicating that the rebels were taking away their wounded, but "we have no evidence of this."

[Reporter] What about casualties among the civilian population?

[Villamariona] "The civilian population has reported some wounded, but we have not been able to confirm this."

[Reporter] "[Words indistinct] government cease-fire proposal despite this?"

[Villamariona] [Words indistinct] "We attack when the terrorists attack us."

[Reporter] [Words indistinct] that this might be the offensive. "Do you not think that this might be an experiment by the guerrilla groups, before they launch a bigger attack?"

[Villamariona] [Words indistinct]. "Remember that those who suffer the consequences" are the civilians. "We have never tried to harm our people and have never wanted to. If the terrorists dare to launch an offensive, they they should, therefore, face the consequences."

[Reporter] "General Villamariona, will the area within the Air Force's responsibility be subject to stricter controls effective today or [words indistinct]?"

[Villamariona] [Words indistinct] all the zone but, like I said, "the devices were inside the houses."

[Reporter] "Will you increase security measures, including searches and all that?"

[Villamariona] "Possibly, possibly, yes."

[Reporter] "General, what about casualties?"

[Villamariona] "Three people were seriously wounded and two sustained minors injuries."

[Reporter] "General, you mentioned the houses where the explosive devices were manufactured. Do you know how many houses are involved and where they are located?"

[Villamariona] "You will be the best witness. You will be able to see them afterwards, and you will see the explosive devices armed and ready for firing—as well as others that were fired."

[Reporter] "There is a Delta Alert—the highest alert—to all the military units. This area was the site of the heaviest attacks since the November 1989 offensive. I want to know: What measures will be adopted? What recommendations do you have for the civilian population?"

[Villamariona] "We urge the civilians to be careful if they find devices" in their areas. Also, "they must report any movements they see."

Government on FMLN Plan To 'Incite Violence'

PA1810140590 San Salvador Domestic Service in Spanish 1322 GMT 18 Oct 90

[Message issued by National Communications Secretariat to the Salvadoran people in San Salvador on 18 October—live or recorded]

[Text] The government of the Republic informs the Salvadoran people that: As part of violent actions unleashed by the FMLN [Farabundo Marti National Liberation Front] last night, starting today, its front organizations will begin a series of actions to incite violence and street riots. The complicity of these front groups will compliment the actions of FMLN terrorist groups that use violent methods to seize power.

The Salvadoran Government urges citizens not to become intimidated by the agitators of terrorist groups disguised as front organizations, who through weapons and violence on the streets only want to hinder the peace efforts undertaken in El Salvador by the government. Rejection of the violence and terrorist actions promoted by these front organizations is an important part of the Salvadoran people's struggle for peace.

[Signed] National Communications Secretariat

San Salvador 18 October 1990

Government Vows To Protect Constitution, Citizens

PA1810201790 San Salvador Domestic Service in Spanish 1910 GMT 18 Oct 90

["Important message" issued by the government to the Salvadoran people in San Salvador—live; read by announcer]

[Text] The Salvadoran Government on the FMLN [Farabundo Marti National Liberation Front] aggression: The Salvadoran Government denounces the FMLN's [Farabundo Marti National Liberation Front] terrorist aggression carried out in flagrant violation of the Salvadoran people's basic human rights and in open conspiracy against the peace process that is being carried out under the auspices of the UN secretary general. It is an aggression that seriously endangers the lives of civilians in various zones of the San Salvador metropolitan area.

This new FMLN violent act is unjustifiably carried out at moments when the negotiation process is at an important and decisive stage to put an end to the armed conflict that has brought bloodshed and mourning to our people for more than a decade. This aggression, started by FMLN groups at 2100 yesterday, shows, once more, that the FMLN leaders are using the negotiations process as a strategy and that the most radical groups of the terrorist leadership have continued with their intention to seize political power through arms and violence.

The Salvadoran Government considers the terrorist act in question to have no justification whatsoever for the following reasons:

1. Because the dialogue and negotiation process by the government is being carried out with full respect for and adherance to the Geneva agreement and subsequent agreements.

2. Because the government has given irrefutable proof of its firm determination to find an overall final solution to the armed conflict through the dialogue's peaceful and civilized means, and because it has shown a serious and flexible attitude when dealing with the topics established at the first meeting held in Caracas.

3. Because the Salvadoran people have demanded that the FMLN put an end to war and violence and that peace be restored in our nation soon.

4. Because the international community made it evident at the United Nations that it shares the hopes of the Salvadoran people to achieve peace and put an end to this fratricidal confrontation whose prolongation can only bring more grief, sadness, and hunger for the long-suffering Salvadoran people.

5. Because the FMLN, by signing the agreement on human rights in San Jose, became bound to respect and avoid any act that may affect the people's live, integrity, and security.

6. Because the presidents of Central America, following Esquipulas II—a process that was strengthened after the meeting held in Tela, Honduras—issued a statement last week expressing support for the peace process and urging the FMLN to accept a cease- fire and thus create the necessary political opportunity to advance toward peace.

Despite the FMLN's violent and irrational provocations to sabotage the dialogue process, the Salvadoran Government expresses its determination to continue seeking, through peaceful means, the peace that the people need and demand to continue consolidating the democratic process and begin the national reconstruction. In addition, it urges FMLN leaders to respect the lives and

security of the civilian population, seriously jeopardized by their terrorist actions. The government guarantees that the Armed Forces will continue to fulfill its constitutional responsibility: to protect the Republic's institutions and the people's lives and property.

San Salvador, 18 October 1990

Pacas on FMLN's 'Diplomatic Offensive'

PA1810144390 Panama City ACAN in Spanish 2048 GMT 17 Sep 90

[Text] San Salvador, 17 Oct (ACAN - EFE)—Salvadoran Foreign Minister Manuel Pacas said today that the Salvadoran Government "is ready and alert" to face the diplomatic offensive begun by the Salvadoran guerrillas in Latin America and Europe to obtain support.

"We are prepared for and our foreign service is alert to any armed action carried out by the Farabundo Marti National Liberation Front (FMLN)," Pacas told a news conference.

FMLN spokesman Miguel Saenz announced in Costa Rica yesterday the beginning of a simultaneous diplomatic offensive in Latin America and Europe to obtain support for the peace negotiations being undertaken jointly with the Salvadoran Government to find a peaceful solution to the war.

The guerrillas warned that despite this diplomatic effort or any military actions that either side may undertake, "we will not abandon the negotiations," which began in Venezuela in May.

Rumors about a possible military offensive by the guerrillas have increased in the past few days in El Salvador after the FMLN said it can militarily win the war.

"We are militarily prepared to repel any attack, and we are now internationally publicizing the FMLN plans to bring bloodshed and grief to the people," Pacas said.

The foreign minister said the FMLN has no arguments to explain its rejection of the cease-fire that Salvadoran President Alfredo Cristiani proposed at the UN General Assembly in September.

According to the guerrillas, the government proposal to have the FMLN accept a unilateral cease-fire goes against the Geneva agreements, which establish that a cease-fire must be part of the political agreements that are reached during the negotiations.

Pacas also denied that his government is being pressured by the international community to continue the peace talks with the FMLN, as Salvadoran opposition sectors have reported.

Government and guerrilla delegations plan to meet again in Mexico on 4 November under the sponsorship of the United Nations to find a solution to end the armed conflict. The central point will be reforms in the Armed Forces, an issue that has caused the talks to get bogged down.

FMLN Rebels Kill One Soldier, One Civilian

PA1910014390 San Salvador LA PRENSA GRAFICA in Spanish 16 Oct 90 p 29

[Text] A Belloso Battalion soldier, who was ill and at home with his family, and a civilian who tried to come to his aid were murdered by the FMLN [Farabundo Marti National Liberation Front]. According to a report by an Armed Forces Press Committee [Coprefa] spokesman, the double murder took place on 13 October at 2345 when serviceman Julio Alberto Alejo Sanchez, on leave granted by his command, was staying with his family in La Palma neighborhood, San Martin Jurisdiction.

Several terrorists, the Coprefa bulletin indicated, learned of his visit and broke into his home. The terrorists struggled with him and dragged him out at gunpoint. When his neighbor Luciano Alfaro Mejia saw what has happening, he tried to help him, but was outnumbered. Since Alejo Sanchez was unarmed he could not fend off his assailants. The rebels later shot and knifed the two men in an area close to La Palma. Area residents were shaken by the news since the victims were well-known and respected in La Palma.

Honduras

* Reina Wrests Control of Liberals

91CA0001A Tegucigalpa LA TRIBUNA in Spanish 14 Sep 90 p 55

[Text] The group backing Carlos Roberto Reina's presidential aspirations yesterday gained the support of a number of liberal deputies in Congress, when a large group of parliamentarians, including both regular members and alternates, joined Reina's group.

Carlos Roberto Reina now has 23 regular deputies and 17 alternates, of a total of 55 liberals in Congress. He has said that within a few months his party's entire congressional delegation will support him.

In a news conference coordinated by Jorge Roberto Maradiaga, a man some liberals view with skepticism, the list of deputies who have switched their support, either from Carlos Montoya or Carlos Flores Facusse, was announced.

The following regular deputies yesterday signed a statement indicating their support of Reina: Salomon Martinez, Jose Salomon Fajardo, Jose Manuel Zelaya, Juan de la Cruz Avelar, Roberto Micheletti, Wilfredo Medrano, Rene Adalid Rodriguez, and Melecio Dominguez.

The alternate parliamentarians were: Manuel Sandoval, Sergio Ortiz, Guillermo Martinz Suazo, Carmindo Raudales, Oscar Mendoza Licona, Rosario Godoy, Salomon

Pineda, Miguel Rafael Madrid, Eda Eulalia Nazar, and the regular deputy to the Central American Parliament, Arturo Echenique Santos.

All the deputies who spoke said they were supporting Carlos Roberto Reina because he is the candidate capable of uniting the Liberal Party, which was in a state of collapse after its defeat in the November 1989 general elections.

Deputy Roberto Micheletti, who was one of the key Flores' supporters, said it isn't the liberals who lack credibility now, but President Callejas Romero and his deputies, for they have not kept the promises they made to the people.

A Display of Unity

The presidential hopeful, Carlos Roberto Reina, described this action as a step forward toward Liberal Party unity.

"Now we will see a united liberal bench that can serve as a true opposition to the government, and we will also have a Central Executive Council meeting to select the candidate well in advance of the date of the internal elections," said Reina.

The politician accepted the challenge of organizing the party. He said he would work to change the slates, the machines and then the identity card, which has caused so much discrimination against the liberals solely because it is perforated.

Carlos Roberto Reina expressed his opposition to the purchase of vehicles for deputies, and criticized the national government's economic measures, which he said only help the upper classes.

* Inflation to Reach 40 Percent in 1990

91CA0001C San Pedro Sula LA PRENSA in Spanish 29 Aug 90 p 3

[First paragraph is LA PRENSA introduction]

[Text] Tegucigalpa. The CHE [Honduran College of Economists] yesterday stated that the application of the Economic Restructuring Law has caused an inflationary spiral which was over 20 percent by July, and which shows a definite tendency to increase.

In a news conference, CHE directors said this inflationary spiral has become a mechanism for transferring income from wage earners to the nation's exporting and financial sectors.

In a document distributed to reporters, the CHE says that in addition, unscrupulous merchants are speculating, making extraordinary profits at the expense of the people's hunger, and provoking a substantial erosion in the mininum wage, which in the last seven years has been reduced by over 40 percent.

According to the CHE, the major features of the government's economic policies are its improvisational character and its inappropriateness to the current situation in Honduras.

The CHE feels there is a tendency to confuse the population, by suggesting that the inflationary process is solely caused by unscrupulous merchants. There is some truth in that, but the devaluations of the lempira are the major factor responsible for inflation, along with the new taxes and the earlier treasury deficits.

"As a consequence, the merchants' traditional speculative practices are an effect of the devaluations the government instituted by modifying the customs valuation factor," according to the CHE.

Rising Inflation

The economists argue that the monetary and exchange policy has boosted inflation, as the increase in the interest rate from 17 to 19 percent is creating higher costs, which are passed on to the final consumer. These higher interest rates also preclude the investment projects of small and midsized companies.

If the present rate of inflation continues, it could reach 40 percent by the end of 1990, triggering another rise in the interest rate.

The document points out that financing costs are one of the principal costs of manufacturers, so we can imagine what might happen if interest rates for loans were to approach the annual inflation rate of 40 percent, in order to maintain positive real interest rates.

As the International Monetary Fund requires this condition before it will sign financing agreements, trends are moving in that direction.

Furthermore, the new devaluation ordered in May only heightened speculation on the part of exporters, who are keeping part of their dollars out of the national banking system.

On this point, the CHE shares the view of the private Honduran Business Council, considering the May devaluation a mistake. It believes that the present interbank exchange rate, which is four lempiras 20 centavos per dollar, should be frozen.

According to the CHE, tight credit policies in times of inflation worsen the recession by reducing the availability of loans for both the public and private sectors.

The document notes that falling demand in an economy with oligopolistic and monopolistic structures is offset by price increases allowing businessmen to maintain the same level of earnings; this results in a recession combined with inflation.

The CHE predicted that the nation's economic growth rate this year will be negative.

Utility Rate Increases

The College of Economists also criticized the utility rate increases for water, electricity and telephone service, as businesses, which will pay the highest rates, will pass on their costs to consumers.

It feels that the government should exhaust all possible options to reduce the financial disequilibria of companies which provide such services, such as the recovery of overdue accounts, elimination of subsidies, rational usage policies, and management improvements.

Economic policies should be based on a grasp of reality and discussions with the sectors affected, says the CHE.

In addition, it supports passage of the Law on Foreign Currency Recovery through Exports, an increase in the fines which Internal Commerce can impose on unscrupulous merchants, although a mechanism must be found to avoid the evasion of these fines by appeals and injunctions filed with the courts.

It also supports the request for wage increases for the working class, and suggests that the government should seek ways to achieve greater independence in charting its economic policy. The CHE also asked that the negotiations and documents signed with the IMF and the World Bank be made public.

The CHE says that because of the serious Persian Gulf crisis, the government needs to draft an emergency economic plan, after consultation with all organized sectors.

The objective of such a plan would be to shield low income groups from immoderate price increases on petroleum byproducts, while at the same time the government should reverse the structural adjustment measures that have had the most negative impact on the population.

* Consumer Price Index Rises Nine Points

91CA0001B San Pedro Sula TIEMPO (Tuesday Financial Supplement) in Spanish 4 Sep 90 p 1

[Text] According to the government, during the first six months of 1990 the general consumer price index rose approximately nine points in relation to the same period of 1989, as a result of the economic adjustment measures initiated last March.

This is found in "Short Term Economic Indicators, First Half of 1988-1990," prepared by the Central Bank's Economic Studies Department.

For food, the index was 232.0 compared with 194.4 last year, a 7.8 percent change, while other items showed a difference of 9.1 percent.

These consumer price indices include: housing and costs of operating a household, clothing, health care, personal care, beverages and tobacco, transportation, education, reading materials and entertainment.

Unfavorable Balance of Trade

In its foreign trade, Honduras had imports during the first six months of 1990 estimated at $566.2 million CIF [Cost, Insurance Freight], and exports of $496.1 million FOX [expansion unknown]. This gives Honduras a negative trade balance of about $70 million.

During the first half of 1990 Honduras imported $69.2 million of fuels and lubricants and $497 million of other products, while it exported $132.4 million of coffee and $363.7 million of other items.

In addition, the Central Bank has authorized import requests estimated at $542.3 million. This is an indication that at the end of the year the trade balance will be even more negative than during the first half of the year.

Current government revenues derived from direct taxes amount to 799.8 million lempiras, an increase of 166.6 million in comparison with the first half of 1989.

The government collected 579.4 million lempiras in indirect taxes, up 141.4 million from last year.

Current government revenue amounts to 854.8 million lempiras, including six million in CEFEX [Export Promotion Certificates]. This is a 118.6 million increase in relation to 1989.

Current spending is on the order of 814.5 million lempiras, including 59.8 million in interest and commissions on the overdue foreign debt and six million in CEFEX.

The official information also reports that the overdue debt payment is 107.4 million lempiras.

Nicaragua

Enabus Labor Conflict Ends; Services To Resume

PA1810133990 Managua Radio Sandino in Spanish 1231 GMT 18 Oct 90

[Text] The Enabus [National Bus Enterprise] conflict has been solved. Within the next few hours, buses will begin circulating once again. The Enabus workers, who staged a month-long strike to demand that the company be converted into a cooperative, will return to their jobs this morning, circulating approximately 200 buses. Among the agreements between Labor Minister Francisco Rosales, union leaders from the Sandinist Workers Federation [CST], and the CTN [Nicaraguan Workers Federation] is the formation of a commission that will consider the feasibility of converting the company into a cooperative for the workers. Donald Quevedo from the Parrales Vallejos Union explains the points that were agreed upon.

[Begin recording] [Quevedo] We held a meeting yesterday that lasted approximately five hours, and we reached several agreements. One of these agreements is to [words indistinct] cooperative [words indistinct] a commission to look into the situation of the cooperative

so that it can be turned over to the workers. This is one of the clearest points [words indistinct] the reinstatement of workers who were dismissed. [Words indistinct] the union offices [words indistinct] 45 comrades whose cases have to be settled [words indistinct].

We are issuing a call to all our comrades of terminals number one, two, and five to ask them to go to those Enabus installations where the strikers are. In addition, the commission, made up of the government, the FNT [National Workers Front], and the Parrales Vallejos Union will meet at the Labor Ministry at 0800 today to turn over the installations and the (?630) buses that had stopped circulating. We are also urging all Enabus workers to go their terminals to begin working.

[Reporter] What will happen to the vans, buses, and microbuses and all those that are circulating [words indistinct] transportation service?

[Quevedo] There is a commission [words indistinct] asked that question. We said that as soon as the Enabus transportation is back to normal, the transportation sector will have to issue a communique saying that they are circulating again. [end recording]

Television Station Suspends Government Program

PA1910021190 Managua Radio Ya in Spanish 1200 GMT 16 Oct 90

[Text] The television program "Democracy in the Making," which is broadcast by television Channel 6, had been indefinitely suspended by its workers, effective last evening, as a form of exerting pressure on the government to pay the more than $300,000 it owes the National Television System administration. The workers met with Dr. Danilo Lacayo, Presidency information and press director, last evening. Their demand was prompted by the government's refusal to pay them for broadcasting the program "Democracy in the Making," the Sunday mass, and the ads placed by Mrs. Chamorro's government.

Dr. Lacayo said that the televised broadcasts represent a small contribution from the National Television System to the current government's democracy. The statement given by the Presidency information and press director thus confirms that his government will not pay the television station's administration. Given Dr. Lacayo's statement, labor union secretary general Eddy Berrioz said that the workers will abide by the decision not to broadcast the program "Democracy in the Making."

Panama

Government Investigates Possible Coup d'Etat

Captain Linked to Attempts

PA1810172790 Panama City EL DIARIO INDEPENDIENTE in Spanish 18 Oct 90 p 23

[Text] According to a diplomatic source, who asked to remain anonymous, the Panamanian Government should immediately appoint a commission with vast powers to conduct an in-depth investigation into Captain Carlos Ivan Moreno's involvement in the conspiracy hatched against the country's legitimate government. Our diplomatic informant said that sources close to his government are closely following the strange developments that have been taking place here for several weeks; they have also been receiving confidential information from abroad.

Our source told us: Our country's developments, which have been described as "hot," can be attributed to high and middle level commanding officers of the former Panama Defense Forces. They want to maintain a state of uncertainty and anxiety that allows prisoners to escape and that allows for actions like the ones carried out by Capt. Moreno. In addition, the military elements that are currently involved in the plot have their own instructions. That is why we cannot rule out that these developments may be the work of enemies of the current administration who have excellent organization and lots of money.

Playing a vital role in this conspiracy are some news media, engaged in an permanent campaign of raising accusations, some of which are so outlandish they are almost impossible to believe. Yet they fulfill their objective, which is to erode the image the people have of President Endara. To conclude, our source said, we have here an international campaign. This last aspect is the most lethal part of the plot, and its goal is to make the international community accept a government that stems from a vindictive coup. The most worrisome thing, the diplomat said, is that we know the Panamanian people do not want an undemocratic government. They paid dearly with their struggle to achieve democracy, and another coup would simply mean a return to living under a government with an illegal status." [quotation mark as published]

Arrested Military Officers Listed

PA1810171290 Panama City Telemetro Television in Spanish 1650 GMT 18 Oct 90

[Text] The government is investigating a possible coup d'etat in which the country's provinces would be taken over to change the current structures of the National Police and the civilian government of President Guillermo Endara. The military officers who have been arrested are: Captain Herrera, one of the top leaders and brother of retired Colonel Eduardo Herrera; Captain Carlos Ivan Moreno, executive officer of the Chiriqui Police zone; Sergeant Anibal Martinez, deputy chief of the UESAT [Special Antiterror Service Unit] of the former Panama Defense Forces who was appointed chief of the Divala Detachment; and Corporal Julio Cesar Sanjur, a former UESAT member.

The national authorities are also investigating Colonel Eduardo Herrera, former chief of the National Police, who is in the United States. A source linked to the government, who asked not to be identified, told

Channel 13 that Herrera is being investigated. According to this source, Herrera and other military officers were meeting in Miami to plan a way to seize power during the march staged by IRHE [Institute of Hydraulic Resources and Electrification] workers. This is the end of a last-minute report supplied by very reliable sources to Channel 13.

Vice President Discusses Arrests

PA1810192490 Panama City Circuito RPC Television in Spanish 1754 GMT 18 Oct 90

[News conference by First Vice President Ricardo Arias Calderon with unidentified reporter at the Plaza Paitilla Holiday Inn Hotel in Panama on 18 October—recorded]

[Text] [Arias Calderon] Regarding reports transmitted by several television stations, I can tell you the following: A few weeks ago, an internal investigation conducted by the National Police revealed serious evidence that members of the National Police could be linked to bomb explosions in the province of Chiriqui and possibly also to bomb attacks in Panama City.

As soon as I learned about the details obtained through the investigation, I immediately informed the president of the Republic and the Attorney General's Office. Through an agreement among the proper authorities, the internal investigation was continued to try to confirm the identity of individuals whose involvement could not be duly confirmed at first.

The internal investigation continued with the concurrence of the Attorney General's Office and produced specific results in the past few days. As you all know, following orders from the Attorney General's Office, three members of the National Police have been arrested and are being investigated by the corresponding prosecutors.

I can say with absolute certainty that since the internal investigation began, there have been no more bomb explosions in the province of Chiriqui or in Panama City or any attempt against the authority of the National Police as such. During the course of the investigation, the vast majority of its members have shown their loyalty to the current democratic de jure state that exists in our country. Do you have any questions?

[Reporter] What has Colonel Eduardo Herrara's role been?

[Arias Calderon] Any specific indications resulting from the investigations now in hands of the Attorney General's Office will be reported by that office when it is deemed convenient for the investigations.

[Reporter] Was Col. Herrera's separation a result of those investigations?

[Arias Calderon] Col. Herrera's separation or retirement occurred under circumstances you are all aware of. It was a decision made by the president of the Republic with the participation of the minister of government and justice in exercising the constitutional authority to accept retirements or separations from posts, according to the circumstances.

[Reporter] Would you link this situation to a coup attempt?

[Arias Calderon] The objectives sought by the individuals involved will be clarified through the legal investigations. I can assure you, however, that there has been no effective coup attempt. I do not know what they had in mind.

Cruz Views Destabilizing Actions

PA1810194890 Panama City Circuito RPC Television in Spanish 1745 GMT 18 Oct 90

[Text] A short while ago, Panamanian Government sources reported to this station the names of the soldiers involved in terrorist actions that are not related to a coup. They are Captain Ivan Moreno; Captain Roberto Herrera, brother to Colonel Eduardo Herrera; Sergeant Anibal Martinez; and Corporal Julio Sanjur. All of them former members of the old Uesat [Special Antiterrorism Unit]. Government authorities are handling the case. Prosecutor Rogelio Cruz comments on this:

[Begin Cruz recording] The organization was active long before a civilian was designated Public Force chief. They first tried to destabilize the government and create a climate of fear by exploding some bombs in Panama City and David. Everything seems to indicate that these actions would have led to the taking over of the Chiriqui garrison right after the public demonstration held three days ago. Some groups have been soliciting contributions for public protests, voicing the desire that this march be the last one. [end recording]

The prosecutor stressed the involvement of Colonel Herrera, retired, in this subversive plan to destabilize the government and refuted the idea that these activities were leading to a coup against the democratic government of President Guillermo Endara. Cruz also pointed out that Col. Herrera, who is in the United States at present, could be the head of this movement, which was uncovered a few days before Herrera retired. Cruz did not discount the possibility that this was precisely why the government declared Herrera retired. The prosecutor described the movement, uncovered yesterday, as isolated events intended to create anarchy and give the impression in the course of several months that the government is unable to resolve the country's problems.

[Begin recording] [Reporter] Mr. Prosecutor, how about the detention of Col. Herrera and several union leaders [words indistinct].

[Cruz] You reporters always say that we usually announce the arrest of some person well in advance. So you had better not ask me this question.

[Reporter] What has been confirmed about Herrera?

[Cruz] The inquiry is still continuing. I think we should not give any more details for the time being.

[Reporter] There are groups that follow the government [words indistinct]. Have you fully identified these groups within the government?

[Cruz] Yes. I think their names are also public knowledge. I do not want to mention names, but I think there are people in the government who, by not admitting the government's strong points and by highlighting some defects and deficiencies, do not have democratic interests in mind.

[Reporter] Mr. Prosecutor, how many civilians and soldiers do you think are involved in this matter?

[Cruz] We cannot mention any figures at present.

[Reporter] [Words indistinct]

[Cruz] I think the names of them are public knowledge. Of course, they are not the only ones.

[Reporter] The state (?workers) are planning another mass march. Is the government planning to ban these mass demonstrations?

[Cruz] I think that public demonstrations should not only be permitted but they should also be guaranteed, as long as the rights of others are not harmed, including the right to circulate freely. But this is not the important thing. What counts, at least in the most recent case, is that this demonstration would have served as the framework for a military action against the established democratic institutions.

[Reporter] Can this possibility occur again?

[Cruz] Yes, of course. Maybe this is the reason for the financial contributions solicited in the past few days.

[Reporter] Do you think the movement uncovered in Chiriqui could have the support of a large number of Public Force members?

[Cruz] I do not think so. I think the leaders to some extent had cheated those of lower rank, even by pretending to have U.S. financial support.

[Reporter] Can you name the military leaders of this movement?

[Cruz] No, not yet.

[Reporter] Are officers involved in the 16 March attempt on Noriega also involved in this movement?

[Cruz] No, they are not.

[Reporter] The newspaper LA PRENSA reported that arms had been purchased and [words indistinct].

[Cruz] I think this rumor was spread by the very same groups that organized the terrorist activities.

[Reporter] What specific things reportedly would be done in addition to marches?

[Cruz] One specific aim was to take over all of the garrisons in the Chiriqui province.

[Reporter] Had a date been set for such an action?

[Cruz] Three days ago, which coincided with the demonstration.

[Reporter] Why did they not do anything?

[Cruz] Something was wrong, and the password was not given through radio stations.

[Reporter] Reportedly some radio stations would have been seized and a network would have been formed.

[Cruz] I suppose this password would have been aired through the Public Force radio station.

[Reporter] Do you think the movement is under control with the detentions? Are other arrests planned?

[Cruz] As investigators, we are always skeptical. I cannot be optimistic enough to think that such a possibility will not occur in the future. So I would rather leave the possibility open. [end recording]

More on Cruz Statements

PA1910023090 Panama City Telemetro Television in Spanish 2300 GMT 18 Oct 90

[News conference by Attorney General Rogelio Cruz with unidentified reporters in Panama City on 18 October—recorded]

[Excerpt] [passage omitted] [Reporter] Mr. Attorney General, to summarize the information, could you tell us how the plan was uncovered, and what it was that they wanted to do? Was it planned that other actions would accompany the destabilization plan? If the plan included taking over the garrisons in the interior of the country, more people must have been involved. Is this not so?

[Cruz] The plan was known well before Colonel Eduardo Herrera's retirement. After he retired, within the past two or three weeks, we sent new National Police units from Panama City to Chiriqui Province to follow up investigations of this plan. With the help of technical resources, these men were able to prove certain things. During our trip to Chiriqui on 17 October, the National Police Director, the Technical Judicial Police Director, Chiriqui Chief Prosecutor Emilio de Leon, and myself, heard the testimony of Captain Ivan Moreno. He told us about the plan in great detail, although he did not say all that he knew. He identified his participation in the plan and reported actions in Panama City and events that occurred in David, Chiriqui.

[Reporter] Were the recent attacks with large-caliber weapons against stores part of the plan?

[Cruz] So far, we have made no connection with these actions.

[Reporter] With your statements you are asserting that the plan was known before Col. Herrera left the Public Force. Does this mean that you are confirming that Col. Eduardo Herrera was retired for this reason?

[Cruz] I have not said this.

[Reporter] Could it have been because of this?

[Cruz] It could have.

[Reporter] How many civilians and soldiers have been arrested?

[Cruz] About four.

[Reporter] Why was no action taken if you knew of the plan?

[Cruz] This is not my responsibility. I simply investigate crimes. The matter corresponds to...

[Reporter, interrupting] Concerning the plan, what did they have in mind for President Endara and the vice presidents? How did they plan to take over the Presidency?

[Cruz] We have not investigated this.

[Reporter] Have weapons been discovered?

[Cruz] No.

[Reporter] Could an ADOC [Civic Democratic Opposition Alliance] political party be behind all this?

[Cruz] I would not say that a party was behind this. I insist, however, that certain people, affiliated with the government, have, unintentionally, promoted this plan. Their actions and other things have created the general discontent that has been expressed in several demonstrations. These actions would provide the right situation for a military movement of the kind planned in Chiriqui Province.

[Reporter] You have said that they planned to take the Chiriqui garrison. What did they plan to do in the rest of the country?

[Cruz] So far, we do not know what they planned to attempt in the rest of the country. [passage indistinct]

Ex-Police Chief Said Involved

PA1810223090 Panama City ACAN in Spanish 2106 GMT 18 Oct 90

[Text] Panama City, 18 Oct (ACAN-EFE)—The former chief of the Panama National Police, Colonel Eduardo Herrera, who is currently visiting the United States, is involved in a "national movement" against the government, according to a communique issued by the Presidency today.

The communique includes statements made by Captain Carlos Ivan Moreno, who was arrested following recent terrorist attacks in Chiriqui Province, which borders Costa Rica, and who said that "all of these actions were carried out on orders given by Col. Eduardo Herrera."

Moreno, who was also involved in the conspiracy with Captain Francisco Herrera, brother of the former National Police chief, said that his main objective was to "take over the province" of Chiriqui, following a demonstration, "as part of a national plan."

The Presidency communique also indicated that two of the terrorist attacks in Chiriqui were carried out by policemen under Moreno's command.

According to the local media, yesterday the authorities arrested Captains Moreno and Herrera and two noncommissioned officers who were also involved in the conspiracy.

All of those arrested belonged to the Panama Defense Forces, under the command of General Manuel Antonio Noriega, until the U.S. invasion last December, after which the government headed by Guillermo Endara was installed.

Col. Herrera, who lived in exile in Miami until shortly after the invasion, because he confronted Noriega, was appointed chief of the new Panama National Police last January and was suddenly dismissed two months ago, while on a trip to the United States.

The Presidency indicated that the investigation, which ended in yesterday's arrests, was conducted internally by the National Police itself and that, as a result, "no more bomb attacks have occurred."

"All of these schemes were frustrated," the official communique said.

Moreover, Ricardo Arias Calderon, first vice president and government and justice minister, who is responsible for the police corps, told journalists today that it should not be said that "a real coup attempt has taken place."

"Most of the members (of the police) have shown their loyalty over the course of the investigations," Arias added.

Presidency on Moreno Statements

PA1910010890 Panama City Circuito RPC Television in Spanish 2340 GMT 18 Oct 90

[Text] The Panamanian Presidency has issued a press bulletin revealing statements by Captain Ivan Moreno [Panamanian officer arrested for his involvement in terrorist actions] in Chiriqui Province:

1. He [Moreno] had information about bombs that were placed in Chiriqui Province, except for one placed at the David Club. In some cases the bombs were placed by personnel who had arrived from outside Panama to carry

out a mission. The bombs that blew up an IRHE [Institute of Hydraulic Resources and Electrification] utility pole and an IRHE transformer were placed by personnel under his command.

2. All the actions carried out in Chiriqui Province were carried out on orders from Former Colonel Eduardo Herrera.

3. On 16 October, he [Moreno] was going to receive a signal to indicate that he should put all the Chiriqui Police Zone detachments on alert.

4. The order was going to be received by National Police member Captain Francisco Herrera, Col. Herrera's intermediary.

5. All this is part of a nationwide plan and orders were given by former Col. Eduardo Herrera through Capt. Francisco Roberto Herrera.

6. He [Moreno] only knows that Capt. Herrera and former Col. Herrera are part of this movement. The purpose of the movement was to take control of Chiriqui Province after the demonstration [16 October public employees demonstration] as part of a nation-wide plan.

7. Capt. Moreno put all Chiriqui Province detachments on alert through radio calls and personal phone calls. He at least alerted Lieutenant Lazaro Gonzalez, who was in charge of calling the Paso Canoas Detachment.

As a result of the internal investigations and the adoption of appropriate measures, no other bombs went off in Chiriqui Province. In addition, all the plans were thwarted. The constitutional government, Panamanian democracy, and the rights of the country's inhabitants are, therefore, duly guaranteed and their full and uninterrupted existence has not seriously been threatened.

Rodriguez Denies Involvement

PA1810232890 Panama City Radio KW Continente in Spanish 2202 GMT 18 Oct 90

[Text] Isaac Rodriguez, SITIRHE [Union of Workers of The Institute of Hydraulic Resources and Electrification] secretary general and one of the leaders of the public employees recent march for life, has said that neither he nor his movement have links with the alleged coup d'etat announced by the Panamanian authorities. Rodriguez has stressed that the government has distorted reality to confuse its citizens. He said that if the government does not fulfill the needs of the people, the people have the right and duty to demonstrate. Let us listen to statements by Isaac Rodriguez concerning the alleged coup d'etat during an interview with our colleague Yeremi Martinez.

[Begin Rodriguez recording] I am completely surprised by statements that directly link me and my movement with the coup d'etat. I consider these statements ludicrous, because everyone knows that I have been forced to live away from my country for a number of reasons. We called for the 16 October march for various reasons. The march had the people's respect, and it was duly coordinated and controlled. Moreover, reporters have witnessed that I was the one who stopped the marchers from reaching the very doors of the Presidency last Tuesday.

Our march is the result of violations of workers rights, the people's needs not being fulfilled, the lack of solutions to problems that the current government authorities promised to resolve during their political campaigns, and the worsening of the general situation of workers. Those are the three basic reasons why we conducted that demonstration. The people will continue to demonstrate and protest until their problems are resolved.

The fact that there was an attempt to take over the Public Forces Headquarters is no reason to link us with that action. We already have the experience of 16 March 1988 [date of failed coup attempt against General Noriega]. We held a demonstration on that occasion and some people took advantage of our demonstration to attempt a coup d'etat. That demonstration, however, had nothing to do with that coup. The truth is that we have had enough with attempts to confuse and deceive the people. We have had enough with attempts to distort reality. The truth is that there is discontent in the country.

During our march, we did not carry out any acts of provocation or violence. It was an orderly demonstration. There were no attempts to attack private property either. We held an extraordinarily orderly demonstration. From where are they getting such a conclusion? They are trying to confuse the people and distort reality—a reality that is very clear: The people are unhappy and they feel humiliated. The people's needs have not been fulfilled. Everything is blamed on the dictatorship, but the truth is that this government has not been consistent enough to lead this country efficiently. [end recording]

Linares Discusses Plot

PA1810230890 Panama City Radio KW Continente in Spanish 2208 GMT 18 Oct 90

[Passages in italics are recorded]

[Text] Panamanian Foreign Minister Julio Linares has stated that if it is established that Colonel Eduardo Herrera participated in a plan to overthrow the government, the Attorney General's Office will request his extradition and immediate arrest.

[Linares] *I could not tell you anything at all because I have no official information on this. I was informed of what has been happening shortly before leaving the Foreign Ministry to come here. I have no official information on this matter and it would be irresponsible on my part to comment on something I know nothing about.*

When asked if Eduardo Herrera could be extradited if it is established that he participated in the recent coup attempt, Linares said:

[Linares] *I want to make this clear. If the Attorney General's Office asks us to request the extradition of Mr. Eduardo Herrera, we would immediately request it.*

Dr. Julio Linares said he does not believe that the Foreign Ministry has been asked to process an extradition request against Mr. Eduardo Diaz Herrera.

[Linares] *The fact that there is no Venezuelan ambassador in Panama does not mean a thing, because there is a charge d'affairs and charges d'affairs are considered heads of mission when the ambassador is absent. So I do not believe that the Foreign Ministry has been asked to request the extradition of Mr. Diaz Herrera, and if such a request has been made, it is being processed by the Ministry Legal Department, but I have not been informed of it. I am inclined to believe that so far the ministry has received no request in this regard. I do not think the United States could be behind what has happened. What objective could it have? I see no reason for it.*

Unidentified Men Steal Arms From U.S. Base

PA1910023690 Panama City Circuito RPC Television in Spanish 2300 GMT 18 Oct 90

[Text] This is a last minute report. An official source has told RPC Television that a large amount of military weaponry has been stolen from one of the U.S. Army warehouses located in Rodman Naval Base. The report indicates that unidentified men succeeded in stealing mines, rocket launchers, and ammunition. A patrol of U.S. soldiers is currently combing the area trying to find traces of the stolen armaments.

PTJ Arrests Suspect in Murder of U.S. Citizen

PA1910040590 Panama City Circuito RPC Television in Spanish 2300 GMT 18 Oct 90

[Text] The Panamanian Technical Judicial Police [PTJ] have arrested Sublieutenant Ricardo King for involvement in the abduction and subsequent murder of U.S. citizen Raymond Dragseth. Nelson Robeto, public prosecutor of the Third District Court, made statements on the arrest:

[Begin Robeto recording] Yesterday, PTJ officials arrested former Sublieutenant Ricardo King, of the defunct Panama Defense Forces, who has been implicated in criminal investigations conducted by this office. He is the presumed instigator in the murder of Raymond Dragseth and (Fernando Bradwell). As everyone knows, these murders were carried out on or about 21 December 1989. [end recording]

Reliable sources have stressed that Sublieutenant Ricardo King was a Public Force member at the time of his arrest. In addition, Prosecutor Nelson Roberto made statements on the reason why Raymond Dragseth was abducted.

[Begin Robeto recording] There was an order to arrest U.S. citizens living in Panama. This order was going to be carried out by members of an elite group called UESAT [Special Antiterror Service Unit]. The UESAT members carried out what had been a standing order since August 1989. The UESAT members went to U.S. citizen Raymond Dragseth's home and arrested him. They also arrested Mr. (Bradwell) who was mistaken for a U.S. citizen. [end recording]

Argentina

Army Troops May Leave for Gulf 'Next Week'

PY1810204290 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2000 GMT 18 Oct 90

[Text] Buenos Aires, 18 Oct (NA)—Military sources have reported that a group of 30 Army officers and noncommissioned officers will leave for the Persian Gulf, probably next week. These military officers will join the military detachment Argentina sent to enforce the blockade on Iraq.

According to what military sources have told NOTICIAS ARGENTINAS, the contingent will leave for the conflict area "in two groups."

Argentina has already sent about 300 military men to the conflict area aboard two Argentine ships: the Almirante Brown and the Spiro corvette.

The Argentine Government decision to send troops to the Persian Gulf was based on a UN resolution. But, in case of war, it must consult Congress on whether to participate in the war or not.

Government Negotiating on Sending Medics to Gulf

PY1910013290 Buenos Aires TELAM in Spanish 0030 GMT 19 Oct 90

[Text] Buenos Aires, 18 Oct (TELAM)—This afternoon Foreign Minister Domingo Cavallo reasserted that the Argentine Government "has not adopted any political decision to send army troops to the Persian Gulf," because "no one has requested it, therefore, it is not proper."

Nevertheless, he explained: "There have been some preliminary negotiations on sending doctors and nurses, either from the Army or from the other forces." He added: "We will study this possibility so that if a conflict ensues, the treatment and evacuation of the Argentines who are in the area are ensured."

In a statement that he made from Saudi Arabia to a radio station, Cavallo noted that the multinational forces in the Persian Gulf area "continue [words indistinct]" Iraq to withdraw its troops from Kuwait.

In this regard Cavallo added that Husayn, "for the time being, has not given any indication that he will comply with this decision." Cavallo added: "It is hoped that the Iraqi president or the Iraqi people will make a sound decision that will result in the withdrawal of troops from Kuwait."

Joint Airplane Venture With Brazil Ensured

PY1810210790 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2352 GMT 17 Oct 90

[Text] Buenos Aires, 17 Oct (NA)—Hugo Santilli, president of the Bank of the Nation, announced today that there is $20 million available for the Argentine-Brazilian CBA-123 airplane project.

Santilli made this remark after meeting with Defense Minister Humberto Romero. It is believed that these funds will ensure Argentina's participation in the company that was created together with Embraer [Brazilian Aeronautics Company] of Brazil.

Argentina has a 33-percent share in the building of the 19-passenger plane, which has been received with interest in the international market. A prototype of the plane was viewed by Presidents Carlos Menem and Fernando Collor de Mello on 30 July 1990.

Minister Announces 2 Percent VAT Increase

PY1810223090 Buenos Aires BUENOS AIRES HERALD in English 18 Oct 90 p 1

[Text] (DYN-NA)—In a surprise announcement yesterday, Economy Minister Antonio Erman Gonzalez disclosed that value-added tax (VAT) had been increased by two percent up to 15 percent.

Gonzalez—who arrived on a morning flight from Germany—specified that the increased revenue this would generate would "primarily" be destined towards pension funds, which will be hit by the elimination of pension taxes levied on telephone, electricity and gas rates.

The increase in VAT has been one of the measures most urgently demanded by the International Monetary Fund, especially in view of the 25 percent decline in real terms of fiscal revenue and September's Treasury deficit, the first in 11 months.

Provinces Protest Economic Difficulties

PY1810230090 Buenos Aires BUENOS AIRES HERALD in English 18 Oct 90 p 13

[Text] (DYN-NA) Rawson—Over 12,000 people marched on Chubut government house yesterday to protest harsh economic conditions in the province while wildfire social unrest spread through the provinces of Jujuy, Tucuman and Santa Fe.

Demonstrations and protests either took place yesterday or are scheduled for the next few days throughout provinces with economic difficulties.

Yesterday, October 17, was Peronist Loyalty Day, marking the 45th anniversary of a march on Plaza de Mayo by followers of late President Juan Domingo Peron, which secured his release from prison in 1945.

In Chubut, demonstrators arrived in busloads, most of them from the city of Trelew. Governor Nestor Perl

arrived back from Buenos Aires yesterday where he held meetings with President Carlos Menem and other authorities seeking a solution to Chubut's economic crisis.

In Buenos Aires, President Menem and his ministers discussed the crisis in Chubut and other provinces in Patagonia and in northern Argentina in a Cabinet meeting yesterday morning, before Menem left on a 10-day trip to Italy, Poland and the Soviet Union in the afternoon.

Yesterday's demonstration was the largest remembered in Chubut history. The total population on Rawson is only 16,000.

The majority of the demonstrators came from Trelew, with a population of 80,000, and others came from Gaiwan, Dolavon, Sarmiento, Comodoro Rivadavia, Puerto Madryn and Esquel.

Activities came to a standstill in Rawson, with shops, government offices and banks closing at 11 AM.

The demonstrators chanted slogans against current national economic policy and the nonpayment of oil and gas royalties to the province by the national government.

Schoolteachers, secondary school students and health workers were among the demonstrators.

The demonstration was organized by a multisector group which has spearheaded protest action after Chubut stopped paying government wages and pensions in August.

In Buenos Aires, Economy Minister Antonio Erman Gonzalez blamed the Chubut government for the crisis for not having applied the necessary adjustments "demanded by the national government."

Governor Perl accepted part of the blame "for not foreseeing the consequences of spending more than we had." He also blamed the low dollar exchange rate, to which oil royalties are pegged, for reducing the province's income. He said the situation "will get worse."

Government employees and teachers have not been paid since August, despite a recent 20-billion-austral advance on royalties from the central government.

Radical and Justicialist Party provincial deputies who tried to address the crowd were booed away despite declaring themselves in support of the protest movement.

Hospitals, schools and government offices will remain closed in protest until wages are paid in this province.

Police were unable to provide security at yesterday's march as the local ACA [Argentine Automobile Club] automobile club is refusing to fill up patrol cars unless the police force covers its outstanding petrol bill with the club.

About a dozen speakers addressed the crowd, demanding changes in provincial and national economic and social policies.

Unrest in Chubut spread to other provinces which have fallen behind in the payment of public-sector wages.

In Santa Fe, government workers will march on provincial government house today to demand wage improvements. Some 8,000 workers are expected to turn out for the march. Teachers in Santa Fe have been on strike so often this year that one more day of protest would mean that all students would have to repeat the school year.

In Jujuy, protest brought the province to a standstill yesterday after the provincial government paid workers only half their September wages, promising to pay the other half with their October wages at the end of this month. The government has reassured workers that it has established a "social wage," which it will make available to them even if it cannot pay full wages in the near future.

The Jujuy government is negotiating a solution to the economic crisis with local businessmen, labour leaders and the political parties.

Jujuy health workers yesterday staged sit-down protests and hunger strikes at local hospitals, with the full support of patients.

A sit-in strike was staged by municipal workers while tax bureau employees simply did not go to work yesterday, labour sources said.

In Tucuman, government employees have also begun protest action after failing to receive their September wages. The Tucuman government has said it will not be ready to pay September wages until Friday.

Judicial and tax bureau employees are not going to work in Tucuman and sit-in strikes and other protest action is sweeping through government offices, including hospitals in Tucuman.

Tucuman police ranks are also likely to be affected by unrest as they have not received their wages either.

In La Pampa, which was singled out by Menem together with Misiones and San Luis as examples of well-managed provinces, Governor Nestor Ahaud said yesterday he could not totally rule out the possibility of social unrest "because you cannot force people not to eat."

Bomb Attacks Linked to Privatization

PY1810223490 Buenos Aires BUENOS AIRES HERALD in English 18 Oct 90 p 1

[Text] (NA-DYN)—Four bomb attacks rocked the Federal Capital on Peronist Loyalty Day yesterday while there was a fifth attack in Rosario. Nobody was hurt but there was considerable material damage.

The self-styled "Eva Peron Command" claimed responsibility but inconsistencies in their version of events made authorities doubt whether they were the culprits.

Interior Minister Julio Mera Figueroa said the government could not identify the assailants although he added that the bombs all came from "the same criminal hand" since they all contained 200 grammes of TNT and a similar detonator. Last night Interior Under Secretary Jorge Diaz Martinez said there were still no arrests.

An alleged "Eva Peron Command" spokesman told a news agency: "There will be no impunity for the traitor Carlos Menem and his alliance to sell out the country."

The five bomb targets were as follows:

The Almagro branch of Citibank, situated in Avenida Corrientes 4618, at 1:15 AM yesterday. The bomb was placed in an automatic teller by somebody using a Banelco card.

The metropolitan committee offices of the Democratic Centre Union (UCeDe) offices in Rivadavia 1145 around 2 AM.

The Entel office in Mitre 1300 at 2:40 AM. In this case the bomb was planted among garbage on a Manliba truck. The force of the blast sent two workers flying several metres. The "Eva Peron Command" spokesman said the target of this bomb was the Foundation of Studies for Argentine Growth (FEPAC), which is headed by Health Minister Alberto Kohan.

A Rosario branch of Citibank located on the corner of Sarmiento and Santa Fe. The bomb was thrown at around 7:30 AM but was found by two bank employees, who covered the suspicious package with sand before it exploded.

The Perez Companc building on the corner of Maipu and Rivadavia. The bomb was found at 8:45 AM and the area was evacuated before bomb disposal experts set off the bomb.

All targets are linked in some way to privatization. Citibank and Perez Companc are respectively part of the Telefonica and STET [expansion unknown] consortia, who will each be acquiring half of Entel [National Telecommunications Enterprise], while Entel trustee Maria Julia Alsogaray is an important member of the UCeDe.

Bolivia

Antinarcotics Struggle Over Past Year Reviewed

PY1810213890 La Paz PRESENCIA in Spanish 8 Oct 90 p 1

[Excerpts] According to a report that Social Defense Under Secretary Gonzalo Torrico Flores submitted to Congress this week, Bolivia broke up drug trafficking operations worth $1 billion between August 1989 and August 1990. "The country and the international community can rest assured that the Bolivian Government is taking responsible measures to eradicate this scourge," the under secretary said yesterday in a statement to news media. [passage omitted]

To illustrate the effort Bolivia is making, Under Secretary Torrico reported the following figures: 308 kg of cocaine hydrochloride, 6,700 kg of cocaine sulfate, and 11,700 kg of cocaine paste have been seized. "If we take into account that cocaine is worth $90,000 per kilogram, we can see that we have broken up operations worth $1,017,581 [as published]," Torrico said.

Asked about a U.S. statement to the effect that drug trafficking continues to grow in Bolivia, Torrico answered: "It is difficult to make a precise estimate. It is possible that it is growing. The important thing is, however, that we can also come up with figures to show that our struggle against drug trafficking is effective and much more successful than in the past." [passage omitted]

Brazil

Silva Welcomes U.S. House Vote on Computers

PY1910135890 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 19 Oct 90

[Report by Maria Oliveira from Brasilia]

[Text] The U.S. House of Representatives has voted out the amendment banning the sale of supercomputers to Brazil, and approved instead the text proposed by the U.S. Department of State, which authorizes President George Bush to decide which nations have been providing military assistance to Iraq.

The new amendment approved by the House of Representatives will go back to the Senate. If the Senate approves it, it will be sent to the President for promulgation.

After hearing the news, Infrastructure Minister Ozires Silva stated that the decision by the House of Representatives is a victory for Brazil. This decision is the result of Minister Ozires Silva's and Science and Technology Secretary Jose Goldemberg's trip to Washington.

Last week the U.S. Senate banned the sale of supercomputers to Brazil on the grounds that Brazil had been sending arms to Iraq.

Collor Congratulates Gorbachev on Nobel Prize

PY1810155090 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 18 Oct 90

[Report by Jorge Vanburger from Brasilia]

[Text] President Fernando Collor de Mello has sent a message to Soviet President Mikhail Gorbachev, who has been awarded the 1990 Nobel Peace Prize.

After recalling the talks he held as president-elect with Gorbachev during his visit to Moscow in January 1990, the Brazilian chief of state points out that the Nobel Prize reflects the well- deserved international recognition of Gorbachev's efforts and initiatives. He notes that these efforts and initiatives were aimed at creating—through a new method of carrying out international relations—a world in which sterile confrontations could be replaced by cooperation and regional crises could be solved in a peaceful manner, with strict respect for the principles of the UN Charter. He adds that Gorbachev's efforts were also aimed at using the brutal volume of resources previously earmarked for the arms race to implement cooperation leading to development.

In his message to Gorbachev, President Collor emphasizes the fact that Brazil and the USSR have been enjoying excellent relations that have been improved through the intensification of political dialogue and the development of cooperation in various fields of activity.

Collor concludes by saying that the two countries are making an important contribution to the construction of a more stable system of international relations.

Official Claims Debt To Be Repaid in 20 Years

PY1810203090 Sao Paulo FOLHA DE SAO PAULO in Portuguese 17 Oct 90 p B-1

[Excerpt] Brasilia—The foreign debt can be paid in 20 years if the Brazilian proposal is accepted by the private creditor banks. This statement was made by the official foreign debt negotiator, Jorio Dauster, who submitted the proposal to the Advisory Committee on 11 October. The negotiations with private institutions involve a $60 billion debt, including overdue payments.

Although the Brazilian Government proposes refinancing for up to 45 years, Dauster claims that auctions, conversions for privatizations and investments, and other instruments that will be created suggest that the debt to private banks can be cançeled in 20 years.

Antonio Kandir, the official negotiator and special secretary for economic policy, sees the reaction of the creditor banks as "normal;" they think the renegotiation proposal submitted by the economic team is "unrealistic." Kandir said the most important thing is that the creditors did not reject the debt servicing ability concept, which ties payments to having genuine cruzeiros for the purchase of dollars, and not resorting to issuing currency or public bonds. [passage omitted]

Next Year's Payment Offer Made

PY1810190190 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 18 Oct 90

[Text] Brazil has offered to pay the creditor banks $1.175 billion next year, although another $1 billion may be added to this figure if the IMF and the World Bank release more resources.

Here is a detailed report from Cristina Indio do Brasil:

[Begin recording] [Indio do Brasil] Jorio Dauster, Brazilian special foreign debt negotiator, has reported that the government will comply with whatever figure it agrees to pay on its debt, even if this means reducing national resources as a result of international incidents like the current Persian Gulf conflict.

[Dauster] The government will comply with its promises because we are making very conservative commitments. Our calculations are based on a modest economic growth but we are certain that our economy will grow much faster in the future.

We are working on minimal foreign investment although we are sure that more investments will be forthcoming. When we receive this foreign money, which we are sure will come, the banks will be able to recover their money faster.

[Indio do Brasil] Despite the advisory committee's prior agreement not to reveal the figures proposed by Brazil before the end of the negotiations, Dauster sees no problem with the banks decision to reveal details of the Brazilian proposal.

Central Bank Chairman Ibrahim Eris shares the opinion of the creditor banks. He does not believe that revealing the figures will harm Brazil even though the government would have liked to have kept secret some of the figures mentioned in the proposal.

The creditor banks subcommittee will arrive in Brazil on 22 October. It will check the accounts that were presented by the Brazilian Government during a recent meeting with the creditor banks advisory committee This meeting was held in New York. [end recording]

Tubarao Oil Production To Begin Next Year

PY1810211190 Brasilia Domestic Service in Portuguese 2200 GMT 17 Oct 90

[Text] The Tubarao oil field in the Santos Basin, Sao Paulo state, will begin production in the first quarter of next year. Initial production has been estimated at 7,000 barrels per day. This report was released today in Rio de Janeiro by Petrobras [Brazilian Petroleum Corporation] adviser (Alceu Valenca), who is participating in the fourth Brazilian Congress on Petroleum at the Riocentro auditorium.

(Valenca) added that the Tubarao oil field has reserves estimated at 120 million barrels and that it will begin production in the ?first quarter of 1991 with approximately 7,000 barrels per day. Petrobras has already called for international bids for the lease of a semi-submersible rig. (Valenca) added that some [number indistinct] enterprises will participate in the bidding. He said that those companies who wish to participate must submit their proposals by the end of this month.

According to (Valenca), Petrobras estimates that the rig will cost between $25,000 and $35,000 per day on a two-year contract. (Valenca) added that the Tubarao production system will have two ports and [words indistinct], and that the separation of the oil from the natural gas will be done on land.

* New Sales Prospects for Arms Industry

91SM0003A Sao Paulo GAZETA MERCANTIL in Portuguese 20 Sep 90 p 6

[Text] Times have been tough for the Brazilian arms industry, the largest in the Third World, but sources in the sector say that the crisis in the Persian Gulf could, once again, whet international appetite for weapons.

"The Iraqi attack helped show how vulnerable the Saudis are to such an invasion, and that could help our sales over the middle and long term," said a source at Engesa [Specialized Engineers, Inc.], a Sao Paulo manufacture of armored vehicles.

There are also excellent sales prospects in other Middle Eastern countries which, in light of the current situation, want to build up their defenses," said our source, who asked not to be identified. "It is obvious that a crisis such as the one in the Middle East helps our business."

Earlier this year, Engesa and Avibras, the two largest weapons makers in Brazil, sought court protection from creditors because of combined debts of more than $200 million.

Both of them associated their business problems with outstanding debts incurred by Iraq—for years their biggest customer—during its war with Iran. Weapons sales are secret, but one current estimate is that they had reached about $3 billion.

The demand for weapons during eight years of the Iran-Iraq war—Brazil sold to both sides—helped make the Brazilian armaments industry the Third World leader in this field.

Well-informed sources said that Iraq, which occupied Kuwait on 2 August, still owes $80 or $90 million to Engesa on the purchase of hundreds of Urutu armored personnel carriers, armored reconnaissance cars, Cascavel air defense vehicles, and Jararaca transport cars.

A source at Avibras, who also asked to remain anonymous, reported that Iraq still owes the company $45 million for various Astros II radio and computer-controlled multiple rocket-launching systems delivered more than three years ago. The source also said that the Iraqis canceled more than $100 million in orders for Astros II units after the equipment had already been manufactured.

Other purchasers in the Middle East, Latin America, and Africa—the most important markets—cut back or suspended purchases at the end of the 1980's, making things worse for Brazilian weapons producers.

However, specialists in the business predict that arms sales will be resumed when the crisis in the Persian Gulf comes to an end, since the countries of the Middle East will want to boost their firepower.

Engesa is negotiating the sale of 320 Osorio tanks to Saudi Arabia, an order worth $2.2 billion.

The Avibras source described his company's expectations as "moderate," but added: "We believe the Persian Gulf countries, especially Saudi Arabia, will want to reinforce their defenses in the near future."

He said that the company was looking for other buyers for the Astros II that were originally to go to Iraq.

Rene Dreifuss, of the Fluminense Federal University, a political scientist and military analyst, said that the arms industry should not expect a bonanza.

"Iraq's invasion of Kuwait completely changed the requirements of the countries in that region in terms of armaments," the professor said in a telephone interview. "From now on, they are going to give preference to highly sophisticated weapons which Brazil does not and cannot make."

On a scale of sophistication from one to 10, the Brazilian arms industry rates a three. We are definitely in the lower ranks."

Manufacturers attribute the success of Brazilian armaments in the Third World to their simplicity, durability, and low price.

"After the current crisis has been overcome, the countries of the Middle East will want to have the sophistication of the U.S. Air Force F-15, F- 111, and B-52, and the modern tanks like the M-1 Abrams," Dreifuss said.

Geraldo Lesbat Cavagnari, of the University of Campinas' Center for Strategic Studies, said that any increase in sales will be relatively short-lived.

He told the magazine ISTOE SENHOR that "with the end of the Cold War, and as a result of better relations between the two superpowers, the general world trend will be toward greater concern with economic matters than with military affairs."

Cavagnari said that arms manufacturers should convert their factories to produce civilian goods. Some have already been doing this.

Avibras has increased its output of satellite dish antennas and other communications equipment, and Engesa has been building more jeeps, trucks, and tractors.

Embraer [Brazilian Aeronautics Company], the government aircraft manufacturer, builds more regional-range transport aircraft than warplanes.

Its most sophisticated combat plane is the AMX, a subsonic tactical strike aircraft produced jointly with the Italian firms Aeritalia and Aermacchi.

"The AMX is the perfect tactical support aircraft for the kind of conflict that has been occurring in the Middle East, but so far we have no reason to expect major sales to that region," said an Embraer source.

Iraq, Iran, and Egypt use Embraer's Tucano trainer, a turboprop aircraft also used by the British RAF, and in more than 10 countries.

*** Broadened Trade Relations With Cuba Discussed**

91SM0003B Sao Paulo GAZETA MERCANTIL in Portuguese 18 Sep 90 p 7

[Text] Trade between Brazil and Cuba has increased significantly this year. Brazil's exports, which in 1989 totalled $79 million, reached $76 million during the first six months of this year. Imports from Cuba, in turn, have already hit the $22 million mark; last year's total was $29 million.

Sao Paulo State is one of those responsible for this surge in relations with Cuba, since it accounts for more than 50 percent of Brazil's purchases from that country. The vice president of the Brazil-Cuba Chamber of Commerce, Frederico Aflalo, said that "90 percent of the imports from Cuba consist of meningitis vaccines, enzymes, and orthopedic apparatus."

Plastic ingredients for making packaging, chemicals for the soft drink industry, paper goods, and frozen chickens are the big sellers on the Brazilian list. Chicken accounted for $10 million of the $76 million which this country has already exported this year, filling a gap left by the countries of Eastern Europe, which stopped exporting that product.

Brazilian and Cuban officials, however, are not satisfied with the trade increase alone. The two governments want to expand relations and promote cooperation agreements in tourism, education, the transfer of technology for exploiting sugar cane, and other areas. "For us, the federal government is a crucial factor in achieving closer relations with all the countries of Latin America, especially with Cuba, said the executive secretary of the Ministry of Economy, Eduardo Teixeira, who yesterday attended the first day of a seminar entitled "Overview and Outlook for Brazil-Cuba Exchanges," held at the headquarters of the Administrative Development Foundation (Fundap).

Luiz Gonzaga de Mello Belluzzo, state secretary of Sao Paulo, also present at the event, noted that government bureaucracy, the protectionist mentality of the business community, and the lack of a coordinated exchange policy are some of the principle factors that inhibit the progress of Latin American integration. "The businessmen have to be certain that it is good business to set up mixed enterprise companies in Cuba or in Brazil," Belluzzo said.

Ernesto Melendez Bachs, a minister on the Cuban Committee on Economic Coordination, said that his government is very interested in forming a common market composed of Brazil, Argentina, Uruguay, and Ecuador, but is concerned about his country's isolation under the Bush plan to set up a free trade zone in the Americas.

The Cuban Government wants to intensify its trade with Brazil, a country considered strategic to its policy of exchanges with Latin America. Exchanges of technology in the citrus fruits, sugar, and alcohol sectors, and the expansion of business in the areas of steel and medicine, could be achieved either under agreements between the governments of the two countries, or through joint ventures with private enterprise.

This week, Manuel Estefania, Cuba's deputy minister of foreign trade, will meet with the board of Sucocitricos Cutrale—Brazil's biggest citrus fruit processor—to ask for support, as the minister puts it, in the development of the citrus fruit growing in his country.

Cuba has an annual production of one million tons of citrus fruit, 60 percent of which are exported in their natural state. About 240,000 tons, according to Estefania, are processed at three factories. Cuba wants to increase its processing capacity, but will have to invest in improving the productivity of its orchards.

Estefania hopes that Cutrale might cooperate under such an exchange by transferring planting and production technology. In return, Cuba could export the natural fruit to Brazil—especially during the months between Brazilian harvests—to be processed in the factories or sold on the Brazilian market, suggests Roberto Sarracino Magrinat, minister-counselor at the Embassy of Cuba in Brazil.

Since yesterday, representatives of the Cuban Government have been in Sao Paulo for the seminar "Overview and Outlook for Brazil-Cuba Exchanges," sponsored by the Secretariat of Science, Technology, and Economic Development of Sao Paulo State. The seminar ends on Friday.

Government representatives attach priority to an exchange of experiences between Brazil and Cuba in the sugar sector. This is a "particularly propitious moment" for such an exchange, believes Magrinat, now that President Collor wants Brazilian farmers to invest to improve crop yields.

Cuba, said Magrinat, has good technology for growing sugar cane and using its by-products to make paper and animal feed, while Brazil has the technology to produce alcohol from sugar cane. Such a technological swap will be the topic of a meeting next week in Brasilia that will bring together representatives of the Cuban Government and experts from the Ministry of Economy and Planning and the Ministry of the Infrastructure.

Next month, Cuban experts will be in Brazil to evaluate market interest in the 150,000 tons of Cuban stainless

steel that will be produced starting in 1991, reported the deputy minister of foreign trade. Also to be evaluated are the chances of expanding business in the areas of biotechnology and medicine.

* No More Parastatals To Be Privatized in 1990

91SM0003C Sao Paulo O ESTADO DE SAO PAULO (Economic Section) in Portuguese 20 Sep 90 p 1

[Article by Suely Caldas]

[Text] Rio de Janeiro—Not one company will be privatized this year. The only hopes for selling a state corporation before 1990 ends were dashed yesterday by the decision of the Privatization Commission to postpone for 30 days the scheduling of the sale of Petroquisa [Petrobras Chemical Corporation]. The delay is due to differences of opinion between the management of the state corporation and the National Bank for Economic and Social Development [BNDES] as to how to privatize it. Tubarao Iron and Steel Company (CST), which ranks second among leading candidates for privatization, will not be sold before the end of January or beginning of February 1991—not even then, unless the government expedites a decision on payment of the Siderbras [Brazilian Iron and Steel, Inc.] debentures.

Yesterday, the BNDES formally announced that the privatization commission had forwarded to President Collor a proposal to include the subsidiary's entire corporate group in the Petroquisa privatization plan. This would include Union Petrochemicals (PQU), Itabira Special Steels Company (Acesita), and Brazilian Lloyd Shipping Company, as well as shares in the second-generation companies at the Sao Paulo petrochemicals complex. To give the commission more time to thoroughly study the best way to sell Petroquisa, it was decided to extend for 30 days—to 1 November—the deadline for selecting the consulting company that will appraise the parastatal.

The commission's decision represents a temporary defeat for BNDES management, which had opted for the sale of Petroquisa shareholdings, and a similarly temporary victory for Petroquisa directors, who had changed their position and submitted a proposal to sell the company all at once, as a block. Monday, the privatization committee debated the question and listened to arguments from both sides. Petroquisa directors said that selling the shareholdings would mean a loss of $606 million for the company. BNDES chairman Eduardo Modiano challenged that assessment and argued that, on the contrary, sale as a block could force the buyer to take over the management of subsidiaries that are operating at a loss, and this would reduce the sum that could be obtained for the holding company. Furthermore, the BNDES fears that sale as a block would simply turn over a government monopoly to a private monopoly.

The inclusion of all of Petroquisa and of all its shareholdings (in the three raw materials plants—Copene, PQU, and Copesul—and in the second- generation companies) on the list of privatization candidates means, as Modiano sees it, that the commission can now examine all the privatization models, inasmuch as all the shares of the company will be in the custody of the Denationalization Fund. According to BNDES Vice President Jose Pio Borges, four formulas for selling Petroquisa have been under study from the outset:

- (1)Sell the whole company, as a block.
- (2)Divide it into three holding companies, combining the shares in Copene and in the second-generation companies at the Camacari (Bahia State) complex, and doing the same with Copesul and the firms at the Triunfo (Rio Grande do Sul State) complex. The third holding would be created from PQU and the companies at the Sao Paulo complex.
- (3)First, sell the stock in the second-generation companies and later, in a second phase, the shares in the three raw materials plants.
- (4)Proceed as BNDES had wanted to, by selling the plants first and then the second-generation companies.

Chile

Government Orders Investigation Into FAE

PY1810211490 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1955 GMT 18 Oct 90

[Text] Santiago, 18 Oct (AFP-NA)—Defense Minister Patricio Rojas reported in Santiago today that Chile does not have chemical weapons and that Patricio Aylwin's government has ordered an "in-depth" investigation into the alleged shipment of a high-power Chilean bomb to the Persian Gulf.

The FAE [fuel-air explosive] bomb is not included in Cardoen Armament Industry's production plans, the private company said on 15 October when denying reports from London charging the firm with manufacturing this type of minor atomic bomb [as received] for sale to Iraq through Libya.

The charges were also denied by the Libyan Government on 16 October. Peruvian Defense Minister General Jorge Torres, however, viewed the news with "great concern," while Bolivian Defense Minister Hector Ormachea accused Chile of starting "a nuclear arms race."

Peru is currently holding talks with Chile on reducing military spending, while Bolivia severed diplomatic relations with the former Chilean regime of General Augusto Pinochet 12 years ago when its efforts to obtain a Pacific Ocean sea outlet failed.

The concern of both nations increased with a report from Buenos Aires saying that Foreign Minister Domingo Cavallo mentioned Chilean "war prowess" and the development of chemical weapons.

Argentine Ambassador to Santiago Oscar Spinoza denied yesterday that Cavallo had made such remarks,

adding that there are no "contingency war plans" that include Chile and Argentina.

The Chilean defense minister said today that according to information gathered by organizations that supervise the Armed Forces, Chile is not carrying out any tests or programs with chemical weapons.

As for the private weapons industry, particularly Cardoen, the minister said an "in-depth investigation," which "will clearly determine that nothing of the kind exists," will conclude this week.

The investigation will also establish whether Cardoen is still operating in the Persian Gulf region. In recent years, before the end of the Iraq-Iran war, Cardoen supplied cluster bombs to Iraq.

Foreign Ministry on FAE Reports

PY1910003890 Santiago Domestic Service in Spanish 2200 GMT 18 Oct 90

[Text] The government has categorically denied that the state or any of its civilian or military organizations have manufactured or stored high-power chemical bombs or similar weapons. This was revealed a few minutes ago by Foreign Minister Enrique Silva Cimma through an official Foreign Ministry communique as follows:

In view of reports by foreign journalists that Chile or its military institutes have manufactured or stored powerful chemical weapons similar in power to nuclear bombs, which would tilt the Armed Forces balance of power in our favor when compared to that of our neighbors, the Foreign Ministry is duly authorized by the president of the Republic to state:

1. It is categorically denied that the state or any of its civilian or military organizations have manufactured or stored war materiel of the nature indicated.

2. In the event that private companies which manufacture weapons were found to be producing or researching to produce such weapons, or in violation of current legislation on the matter, the government, through the Defense Ministry's supervisory organizations, which are carrying out an investigation, will immediately implement the appropriate corrective measures.

The official Foreign Ministry communique concludes by saying that in any case, national manufacturers of war materiel have emphatically and publicly denied producing bombs such as those mentioned.

Argentine Envoy Denies 'Hypothetical War'

PY1810173690 Santiago Domestic Service in Spanish 1000 GMT 18 Oct 90

[Text] Argentine Ambassador Oscar Spinoza has categorically denied that Chile is planning a hypothetical military conflict with his country, as has been reported by the media. The ambassador asserted that Argentine Foreign Minister Domingo Cavallo has not made any comment on Chile's military power and that the congressional sessions during which the alleged comments were made were secret. Any comments on this topic are, therefore, mere speculation.

[Begin Spinoza recording] Following my government's orders and especially those of his excellency, the foreign minister, I categorically deny this rumor. The Republic of Argentina is by no means considering a hypothetical war with Chile. Nothing could be farther from the truth than the alleged hypothetical conflict mentioned in foreign media reports received in Chile. [end recording]

Ambassador Oscar Spinoza attributed these rumors to shady individuals who wish to thwart the integration process between the two brother nations.

[Begin Spinoza recording] I attribute these rumors to shady individuals living on both sides of the Andes who are determined to spoil an integration process promoted by our respective presidents and governments. They are the same people from the past and the present and the same people who will undoubtedly exist in the future. But these individuals are clearly identified and they are under control. These individuals want to prevent our countries from taking the path that history is offering them. [end recording]

The Argentine ambassador said that this type of speculation will in no way hinder the development of the integration process. In almost 180 years of common history, Chile and Argentina are the only countries that have not fought each other in an armed conflict, added the ambassador. He also said that these kinds of press reports and speculation are designed to thwart the integration process but they will not be successful.

PCCh Calls for Policy Change, Debate on Budget

PY1810182590 Santiago Domestic Service in Spanish 1000 GMT 18 Oct 90

[Text] The Communist Party of Chile [PCCh] has stated that, seven months into the democratic transition period, Chile demands a change in government policy and has requested a broad debate on the defense budget which, according to the PCCh, amounts to $1.2 billion. This was stated during a news conference held by the PCCh National Commission for Armed and Security Forces Affairs, which comprises Carlos Albrecht, Lautaro Ojeda, Guillermo Sherping, and Isaac Aguirre.

[Begin unidentified speaker recording] We demand a broad, democratic, and rational debate on the defense budget, seeking to adjust it to the country's urgent needs and priorities. We demand the participation of social and congressional representatives in this debate and that the money currently allocated to the defense budget be used for civic-military integration actions that are needed for the country's development in the transition toward democracy. [end recording]

The PCCh commission also stated that the current defense budget represents an intolerable and unjustified waste of resources that contradicts the real socioeconomic needs. The PCCh voices its opposition to a double-standard policy that denies salary adjustments to the workers in the face of unbridled price increases, but does not provide for an adjustment of the defense budget to the emergency situation. Carlos Albrecht stated that the current defense budget draft submitted by the government to Congress was designed by General Augusto Pinochet's advisory commission and that it is based on the national security doctrine which, according to the PCCh, divides Chileans.

Colombia

EEC Reportedly Lowers Tariffs by 95 Percent

PA1810141190 Bogota Radio Cadena Nacional in Spanish 1209 GMT 18 Oct 90

[Text] President Cesar Gaviria has announced major social changes which will transform the lives of the less fortunate citizens. He said that the reforms will take place simultaneously with major economic changes and institutional transformations. Gaviria said that the development strategy has not been designed to burden any one sector but to make possible the restructuring of everything. He added that the nation's production will not be left unguarded, but protection mechanisms will be created, particularly against illegal competition and dumping. He stressed that all interested groups can participate without sacrificing the overall objectives for the interests of specific sectors.

Gaviria defended his negotiations at the international level to secure the necessary support for the internationalization of the Colombian economy. Speaking during the installation of the Fenalco [National Federation of Businessmen] congress in Cali, Gaviria said that the efforts of his government and the negotiations conducted on the international level to get support for Colombia have already yielded the first results. He referred to a preferential tariff bill introduced by U.S. President George Bush. Gaviria also referred to the EEC's decision yesterday to lower by 95 percent the tariffs on Colombian products.

EPL: Killing of Rebels Endangers Peace Talks

PA1910005590 Bogota EL TIEMPO in Spanish 7 Oct 90 p5

[Text] According to recent agreements signed between the government and the Popular Liberation Army (EPL), the guerrillas who belong to that group must remain within the eight camps agreed upon by the two parties.

A government source made this statement to EL TIEMPO, referring to the confused incidents in which several EPL guerrillas were killed near Arbolete, Antioquia.

Meanwhile, Army officers who participated in the operation have reported that the incident took place in an area eight hours walking distance from the EPL central camp in Pueblo Nuevo, Antioquia. The officers are certain that the guerrillas were engaged in criminal activities.

The priest of Naranjitos Parish had reported that the rebels were engaged in peace talks with the government, but yet were blackmailing and extorting from cattlemen in the area. The EPL's legal spokesman, Anibal Palacio, said in a news conference yesterday, however, that the rebel group was engaged in political activities.

Palacio said that "the EPL is a political-military organization, and now that it has ceased its military operations, it is concentrating on political activity."

When asked about the EPL's continuing participation in the peace talks, he said that this incident seriously affects the talks. He said that, besides, there is uncertainty among the people because of the possibility that the Supreme Court might declare the decree convening a Constituent Assembly illegal.

Palacio said, "We ask for clarity. We believe that military operations should cease in areas where the EPL fronts are concentrated."

He said that when the EPL meets with Government Minister Julio Cesar Sanchez this week, it will ask for international observers from the United Nations, the OAS, or the International Red Cross to come to Colombia.

He also said that operations had been conducted against guerrilla camps located in Juan Jose, Cordoba, and in La Guajira near the Perija mountain range.

70 People Killed in Medellin Over Weekend

PA1810012590 Bogota Inravision Television Cadena 2 in Spanish 0000 GMT 17 Oct 90

[Text] The relative calm that had prevailed since last July was broken by several violent actions over the weekend, when approximately 70 people were killed in Medellin, the capital city of Antioquia Department. This figure is higher than all previous rates of violence in Medellin.

This past weekend, Medellin went from a holiday weekend to violence. Medellin, which was starting to enjoy its night life again, was the site of a massacre of seven people in a granary on Saturday, 13 October. This granary is located in an area where residents were commemorating Columbus Day, in honor of their neighborhood's name, on 12 October. Several men traveling on [word indistinct] jeeps also wounded seven other people.

Although Medellin continued to enjoy the holiday weekend and the beer festival, isolated crimes in various

parts of the city continued to take place until the death toll added up to 70. Another 46 people were wounded.

[Begin Medellin mayor recording] To regain peace in Medellin, all government institutions and the community as a whole must continue to study the various factors that have led to violence in the past. We will necessarily have peace the day we succeed in eliminating all those factors. [end recording]

The rate of violence in Medellin had dropped significantly during the past three months, but for police and civilian authorities, that drop did not mean the total recovery of peace, just as this bloody weekend does not mean the worsening of the war.

* Adviser Discusses Foreign Affairs Issues

90SM0275C Bogota EL ESPECTADOR in Spanish 14 Sep 90 p b-1

[Interview with Presidential Adviser for International Affairs Gabriel Silva Lujan by Poly Martinez; place and date not given]

[Excerpts] Bogota

[Martinez] What is the role of the Advisory Council?

[Silva Lujan] The Advisory Council advises the president of the republic in discussing, designing, and implementing foreign-policy guidelines and actions. The chief executive is thus given professional and technical support in making decisions. It is important to clarify that the Advisory Council neither makes decisions nor executes actions; these functions belong to the president of the republic and the Foreign Ministry.

Foreign relations used to be handled under the traditional arrangement of diplomatic infrastructure in countries. They are currently handled at the presidential level. Presidential diplomacy has become the critical factor in foreign policy.

The Advisory Council also coordinates many public institutions and agencies. Let's look at the economic and commercial agenda. The Finance Ministry, the Development Ministry, Incomex [Foreign Trade Institute], and Proexpo [Export Promotion Fund], just to mention the main ones, are involved here. All of them have something to say and a major role to play in the internationalization of the economy. At this level the Foreign Ministry and the Advisory Council discharge a joint coordinating function. Coordination is not institutionalized in Colombia. There is no foreign-policy council, as there is in other areas that require coordination, such as CONPES [National Council for Economic and Social Policy].

[Martinez] What issues is the Advisory Council working on in the medium and long term?

[Silva Lujan] The president has a number of initiatives and programs, such as the creation of the Latin American Forum. We'll keep tabs on this for him and suggest ways of overcoming obstacles. We have to promote public and academic debate on Colombian foreign policy. Foreign-policy work is not based on inspiration nowadays.

Our Bargaining Power

[Martinez] Drug trafficking is not a priority for other countries. If Colombian presidential diplomacy has revolved around this issue, what sort of image should the president project?

[Silva Lujan] Drug trafficking remains a priority for Colombia. We seek to show that other countries have a responsibility too. For example, President Gaviria's proposal to create an international criminal jurisdiction for addressing the drug-trafficking problem is an affirmation that the issue goes beyond borders. Thanks to the gains made during the previous administration we can move on to a new phase. The State has regained its autonomy on this issue and recovered some maneuvering room.

[Martinez] How can Colombia make use of the space that it has gained to discuss other aspects of foreign policy?

[Silva Lujan] The country already has moral authority and is well received internationally. Our greater bargaining power must be applied to other goals on the agenda. Now then, economically and financially speaking, Colombia also has authority, which gives us enough autonomy to promote and spearhead the process in Latin America. [passage omitted]

An Environment Without Borders

[Martinez] The environment is another new issue on the country's international agenda. What is the outlook here?

[Silva Lujan] The less industrialized and developed countries cannot be expected to bear all of the costs and obligations of defending the world's ecological balance by themselves. The nations that have profited from nature and the environment must make a real contribution of funds. We're preparing ourselves to play an active role at the UN Conference on the Environment, which will take place in Brazil in 1992. We and the Agriculture Ministry are looking into the creation of an international mission that will work together with Colombia on its domestic and foreign policy concerning the environment.

[Martinez] We currently have Good Neighbor Commissions with Venezuela and Ecuador, and another is being called for with Peru, because these are living borders. Does this mean that Brazil is not regarded as a living border because a significant number of people don't live along it?

[Silva Lujan] The Good Neighbor Commissions have been very effective instruments in enhancing border

relations. The Good Neighbor Commissions with Peru are being readied. In the case of Brazil, a number of instruments have been created under the Amazon Treaty, which has been reactivated over the past two years. Protecting the environment along the Colombian-Brazilian border also involves Peru and even Ecuador. There is no justification for making the environmental issue bilateral.

Asia: Where Are We Headed?

[Martinez] What importance will this administration attach to the Pacific Rim?

[Silva Lujan] The policy of "apertura" [economic liberalization] towards the Pacific Rim revolves around economics. It will be given priority as part of the international apertura. The Asian economies are essential to the world economy; without them there can be no talk of internationalizing the economy.

[Martinez] But one of the arguments of the Japanese is that we first have to invest and then market our goods in Japan. They'll come afterwards.

[Silva Lujan] I'm not familiar with that argument, and moreover it's not logical, for one very simple reason: Japan has the largest trade surplus in the world. They're looking for secure and commercially profitable options and opportunities for their excess liquidity and funds. Therefore, it makes no sense to tell a country that is short of capital that it has to invest in another one with a surplus.

[Martinez] The Chinese foreign minister will be arriving in Colombia in a few days. What issues will be addressed?

[Silva Lujan] The link between us and China is great potential, rather than a sizable commercial and financial relationship. We also find ourselves in growing agreement, for example in the UN Security Council. China is one of the largest potential markets in the world. It has made great strides in farming and livestock-raising: the cultivation of the mulberry tree and the production of silk. They're interested in taking part in a process to turn Colombia into a major producer and exporter of silk.

But the most important thing is the geopolitical role that it plays: It is the third largest world power. Colombia cannot pursue an autonomous, nonaligned foreign policy unless it can establish important political relations with China.

* Effect of Advisers on Executive Power Analyzed

90SM0266C Bogota SEMANA in Spanish
21 Aug 90 pp 30-31

[Text] In most developed countries, whether under the presidential or parliamentary system, what Anglo-Saxons have come to call the "kitchen cabinet" has gradually been institutionalized. It is a group of advisers enjoying the total trust of the president or prime minister, top experts on diverse subjects who function as advisers and who serve—theory has it—to strengthen coordination, communication, and negotiation with the president.

Judging by the nine advisers whom President Gaviria has recently appointed, everything would seem to indicate that Colombia is on the path to modernization. And yet, the trend did not start with this government. The first steps were taken under the previous administration and took hold in a series of studies done by a commission created last year including, among others, the current minister of finance, Rudolf Hommes, former Tolima Governor Eduardo Aldana, Senator Fernando Botero, former Senator Hernando Agudelo, and experts on government administration.

The Presidential Commission To Reform the Public Administration of the Colombian Government held 67 working meetings between 6 June 1989 and 26 July of this year and hired 220 experts for research and advisory studies. Nor was there any lack of international experts. They all came to the conclusion that, contrary to what common mortals believe, the Office of President does not hold excessive power. "On the contrary," says the report presented just before the new president took office, "power is highly fragmented."

In theory, the institution of the adviser's offices is for the purpose of solving problems of articulation between the different official agencies, setting criteria, and presenting high government decisions. Their main justification is that the ministries tend to function on the basis of their own interests, which are sectorial, to the detriment of the interests of the Office of President, which are national. Another justification is the president's need to have all information on problems involving different entities, something which is common in most government undertakings requiring the simultaneous cooperation of various official agencies. One frequently sees the Ministry of Finance, the Ministry of Development and the Ministry of National Planning at odds, not to mention the continuing conflict between entities associated with the Ministry of Finance. Advisers are responsible for evaluating contradictory interests and making recommendations to the president. As their name indicates, they must confine themselves to giving advice and not orders. They have constant, direct access to the president and, unlike the ministers, have no administrative responsibilities, as a result of which they have more time and are more cool-headed.

So much for theory. Attractive as it sounds, the institution of the advisory offices has many drawbacks, the main one being that a duality of functions tends to be created. It may seem very normal for the chief of state to have an international affairs adviser but historically speaking, the adviser in this area was the minister of foreign relations, which was always enough. The same is true of the other advisers. It is difficult to understand what the role of the particular minister will be if the

president has his own adviser on the subject. In other cases, duality exists even between the advisers themselves. Few understand the difference in functions between constitutional affairs and institutional reform. The purpose of both is to advise the president on similar subjects.

Although in principle the spirit of the advisory offices is to serve as an arbiter between conflicting views, what may happen in practice is that the adviser's opinion may become one more of those in need of arbitration!

These are the observations of government administration experts, but in truth, any diagnosis would be premature, for not only have all the posts not been filled, but most of the advisers have not actually begun to work. It is also a fact that in a country where a certain prejudice exists against creating posts in order to solve problems, the innovation of the advisory offices pleases and frightens at the same time. Although no one has complained so far about the quality of those named, some think too many are being appointed and, inasmuch as the bureaucracy in Colombia never works in reverse, there is no danger of a president coming to power in the future who will discard the juicy array of high posts thus created!

Perhaps even more serious than any bureaucratic implications which this system of government might have are the institutional implications, the main one being that if power is concentrated in the presidency, as is now the case, the ministries will be inexorably weakened. This did not happen in Colombia until the Barco Administration, when Sanedrin and German Montoya came to have more influence and power than the ministers themselves. This was an ad hoc phenomenon resulting from the strange personality of the president. The phenomenon is now being institutionalized and not by accident or for reasons having to do with presidential style. It is a program worked out with conviction aimed at strengthening the presidency. This is not necessarily good or bad, only very different from how the country has functioned in the past. The decision-making center previously consisted of the weekly agreement between the chief of state and the minister in question and, to a lesser extent, the Council of Ministers. These decision-making mechanisms will not compete with the new structure being created with the president and his advisers. Inasmuch as the latter have constant, direct access to the chief of state and since in practice access to power is power, the possibility exists that the group of advisers will turn into a parallel cabinet, a danger of which the members of the presidential commission warn. Nor can this fail to happen because the coexistence generated by the new system leads to a continuing exchange of opinions that may go beyond the more sporadic and formal contact existing with the ministers.

Gaviria's group of advisers is made up of new people removed from bureaucratic vices and very competent: Rafael Pardo, Jesus Antonio Bejarano, Manuel Jose Cepeda, Fernando Carrillo, Maria Emma Mejia, Juan Lozano, Mauricio Vargas, Jorge Garcia, and Gabriel Silva. Unlike the ministers, they were all chosen without regard for political, regional or other criteria. None of them will be a German Montoya because such a thing does not exist in Gaviria's world. When one considers that Gaviria is himself a very well- trained man of character and authority, the sum of such reinforcement will certainly turn the presidency into a superpower without precedent in Colombia.

Such strengthening of the presidential system began in the United States during the time of Roosevelt and has never diminished. In England also, the office of prime minister has evolved along similar lines, but in both cases, constant friction has been generated between the ministers and the chief of state's advisers. The same thing will predictably occur in Colombia.

Whatever the case, we have left behind an era. Until only recently the Office of President was a rather simple and very austere entity in Colombia. During the terms of Alberto and Carlos Lleras, the chief of state's adviser in each area was the respective minister and the president himself was responsible for settling conflicts of interest. The world has now changed, the country has changed, problems have multiplied, and the contemporary presidency is nothing like what we once had in the country. It has been a gradual evolution, but with Cesar Gaviria the mechanism is totally institutionalized. It remains to be seen whether it is for better or worse.

* Minister of Government Seeks Different Role

90SM0275B Bogota EL TIEMPO in Spanish
17 Sep 90 pp 1-a, 6-a

[Interview with Minister of Government Julio Cesar Sanchez Garcia by Carlos Obregon; place and date not given; first 10 paragraphs are EL TIEMPO introduction]

[Text] Sometime in the next few days the administration will be submitting a bill to Congress to put the Government Ministry in charge of decentralization.

Minister Julio Cesar Sanchez, serving as acting president, made the announcement in an interview with EL TIEMPO.

According to Sanchez, the ministry's functions are limited today, as its main function is to serve as nothing more than an "office of complaints and demands" from politicians, especially every four years, when there is a change of governors.

According to his announcement, the ministry will also become the coordinator of governor's offices, which will have new functions themselves, such as heading up specific regional projects.

During the interview Sanchez parried criticism and said that he holds the office "to represent not just one group but my entire party and all of the sectors that are taking part in national political life."

Echeverri Palace, where the government minister works, should not be called a palace. The functions that the ministry discharges today make it more of a political confessional.

Julio Cesar Sanchez has been in office since 7 August. Although he is a good confessor of his politician colleagues, one gets the impression that they have spent more time giving him sermons than listening to his good advice.

Sanchez knows that the job of appointing governors in a country in which the spokesmen of the parties for the bureaucracy are factional leaders, not party officials, makes him the "bad guy in the movie."

But he is not bitter on this account. He has learned a great deal in all of the posts that he has held in his 30-year political career. His ambition for now is just to be a good minister. His budget includes a sizable item called popularity, which he can spend in serving the country and President Gaviria, who he thinks will be the most important Liberal of the next 30 years.

The minister is a good conversationalist. He is not one to beat around the bush much. This is the same sort of language that he uses in his politicking around Cundinamarca.

[Obregon] How has it gone so far, Minister Sanchez?

[Sanchez] Heading the Ministry of Government is a great honor and a great experience, but it also means playing the role that film writers call the bad guy. This ministry requires sweeping change. Its area of responsibility has shrunk. Not just now but for some time it has functioned only during changes of government, when all of the governors are replaced. So every four years there is dissatisfaction, whining, and scheming about who gets in.

The ministry cannot be limited to this task. It has to be transformed. Accordingly, we have a reorganization plan to turn it into the ministry of decentralization and municipalities, the one that coordinates the governor's offices, that one that carries forward specific projects through the regions and sectoral plans, since it no longer has the power to appoint mayors.

We also have to eventually elect our governors, through the Constitutional Assembly.

[Obregon] When you say that we have to eventually elect our governors, are you implying that appointing them is outdated or that the political class is unmanageable?

[Sanchez] No. The fact is that in our country political parties are organizations with an electoral mind-set that function during the period prior to the election and after the new government takes office. Obviously, it is impossible to please everyone. And what is most serious, we simply can't split the administration down the middle; rather, we have to seek out the most capable people from each sector, each region, while promoting the younger generation. So I already have the draft statute of the parties drawn up. Under this statute they will operate continuously, serve as organizations through which the various segments of society can channel their wishes, have an internal democratic structure, enjoy their own political rights, and manage their own funds.

[Obregon] From the look of things, the appointment of governors has put you on bad terms with the political class. Have you made many enemies?

[Sanchez] I haven't taken an inventory of admirers or adversaries. That has not concerned me. I'm running this office without pettiness, trying to be loyal to the president, to my party, and to the country. If I've made mistakes, they've been in good faith. Some may feel offended that I was unable to accommodate them, the way call-in music programs on certain radio stations do. I don't want to turn these jobs into a free-for-all. I'm a serious man.

[Obregon] One of the groups that is offended is part of the Duran faction, which you represent in the administration....

[Sanchez] That may be. I don't turn politics or management into a personal problem. As far as I know, there has been no official declaration about this. Moreover, when I backed Hernando Duran as a candidate for the nomination, I was not acting opportunistically; I did so in earnest and independently. I'm here in this ministry now to represent not just a group but my entire party and all of the sectors that take part in domestic politics.

[Obregon] But will you stay in the Duran camp when you leave the ministry?

[Sanchez] I don't know whether the plebiscite was a healthy competition, as I think it ought to be, or just a confirmation of existing divisions. The Liberal Party has to be modernized with clear-cut rules for its internal structure so that factions can exist, because this is legitimate. But it should not turn into feuding between tribes or groups around famous names; it should be a battle of ideas, programs, and performance.

[Obregon] The presidential advisers have been criticized for the role they play and for interfering with certain ministers. Have you had any problems with them?

[Sanchez] One of the big changes that the president is introducing is work in teams, because the new realities require it. So the president has appointed advisers, who are primarily people from the younger generation. I personally do not feel uncomfortable with them. The important thing here is for personal vanities not to overwhelm us.

[Obregon] What will the effects of the Constitutional Assembly process be?

[Sanchez] The president realizes that the nation chose him as the spokesman of the masses' dissatisfaction with repeated failures in different fields, as the spokesman of a new nation that does not want campaign promises to

remain just promises but instead to become short-, medium-, and long-range programs. I think that in order for this political agenda to be carried out more quickly and completely, it requires an overhaul of the previous arrangement that President Virgilio Barco set up. We aren't putting together a compulsory or forced coalition; we're putting together a movement of national reconciliation at the administration level, despite which the political forces taking part through their spokesmen do not have to give up their freedom to hold their own positions on issues in Congress and even in the administration itself.

[Obregon] Why aren't the expectations of the Colombian people about reforms and their presence in the debates going to lead to frustration?

[Sanchez] For the first time in the history of reform in our country the delegates to be elected in December aren't going to be the only ones in attendance. Rather, we are in a constitutional stage right now, holding open, democratic forums that are going to bring some fresh air into the debate and enrich the basic elements of the reform.

[Obregon] What role will the political class play in the Assembly process?

[Sanchez] It has played a role in the first stage through its parties, which are its legitimate spokesmen. Second, through its primary committees, of constitutional affairs, Congress will have spokesmen on the special committees and may submit initiatives for the consideration of the Assembly sessions, but without the right to vote.

We have to be realistic and acknowledge that although we may criticize the Colombian political class, rightly or wrongly, we aren't going to be able to do away with it. What we need is for the leaders of the political class, just like the leaders of the private sector, to modernize along with institutions and to change position on many aspects of national life, even their own conduct.

[Obregon] Are the Assembly and its reform process going to teach Congress a lesson?

[Sanchez] I think so. And not just a lesson, because it's also going to make some fundamental changes in the role that Congress is going to play in the future. We aren't just going to end congressional benefits, reelection, and the abuses that can be committed in serving as such high-level political representatives. Cutting out the arrangements that have made abuse and corruption possible is not the most important thing. The important thing is for us to rescue Congress as an institution that is so fundamental to the country's democratic life.

[Obregon] Could the guerrillas get a place in the Assembly?

[Sanchez] The president of the republic will make appropriate efforts so that all national sectors and all guerrilla organizations that are outside the law can have their legitimate representatives at the Assembly. President Gaviria has said that minimum conditions, which in my opinion are neither violent nor undemocratic, have to be met. The president is seeking change with all sectors and with all guerrilla groups, but not amid fear and under threats.

[Obregon] Has the country moved from a government-opposition arrangement to an opposition-with-government arrangement under President Gaviria?

[Sanchez] Barco didn't invent this arrangement. He simply took it out of the freezer, because this is the law of democracy. He wanted to put this arrangement into practice, but unfortunately because modern political parties did not exist and because pride and pigheadedness prevailed in many individuals, he met with frustration and failure. What we are living under today is a government of national reconciliation at the administration level, without the parties losing either their autonomy or their right to criticize.

[Obregon] Are you happy in your job?

[Sanchez] I must first say that I am not sacrificing myself, because I'm a politician. I'm at the culmination of a career that I began 30 years ago alongside Alberto Lleras. I'm proud of my lower-income, provincial roots. I'm not ashamed when a pair of sandals suddenly appears behind me. Why do I say this? It's not out of vanity or false modesty. It's because I think that this country will change on the day that there is not just one, oddball Julio Cesar Sanchez, but many of them, and when we are not seen as rare birds but instead as examples that this is an open, tolerant democracy.

[Obregon] Will you seek the nomination when you leave the ministry?

[Sanchez] No. I'm going to write my memoirs.

[Obregon] And what about the nomination?

[Sanchez] Look, the success that I've been able to have in my life, and not just in politics, is due to the fact that I do what I have to do every day. I don't try to make 20-cushion carom shots. When you get to doing so many things at once and become so calculating and Machiavellian, you get fouled up. I want to be a good minister. When I leave here, I'll see how badly discredited I am, how much my popularity, my credibility has suffered. For the time being I'm using up my popularity to serve President Gaviria, who is going to be one of the most influential men in the Liberal Party over the next 30 years. Remember me.

* Success of Economic 'Apertura' Discussed

90SM0275A Bogota EL ESPECTADOR in Spanish 2 Sep 90 p 1-b

[Commentary by Carlos Roldan Noriega]

[Text] The "apertura" [economic liberalization] is not just a passive cutting of tariffs, as some have chosen to

interpret it. It entails getting the country ready to compete successfully on the domestic market and, especially, on the international one. When the apertura is seen in this way, no one is against it. The differences of opinion arise about how to proceed and at what pace in order to achieve this goal. In any event, opening up to compete in today's world means modernizing a country's infrastructure and production machine. Therefore, the apertura has a price, and the government that is undertaking it must be clear on the source and availability of the funds to finance it. Furthermore, the more quickly it wants to move, the more urgent the need to have the required financing available. In this context a clear order of priorities is indispensable, because when capital is a scarce resource, it is useless to target a wide range of goals simultaneously. The most serious challenge that the current administration faces is to meet the three-pronged goal of paying the foreign debt, bringing about social development, and financing the modernization of the Colombian economy.

The previous administration wanted to give indisputable priority to meeting the basic needs of the country's poorest inhabitants. "Eradication of absolute poverty" was the publicity slogan used to sum up the noble intentions of this governmental strategy. The rhetoric of the so-called Social Economy Plan placed more emphasis on equity than on higher production. Yet by the end of the four year term no progress had been made in either respect. Indeed, government social spending had declined from 9.4 percent of the Gross Domestic Product in 1984 to 7.2 percent in 1988, according to the estimates of Fedesarrollo [Federation for Development]. In turn, the growth rate of domestic production had fallen to a listless three percent a year. When our economic authorities realized that the payment of the foreign debt had prevented the country from achieving its social goals, they forgot completely about their initial objective and in the twilight of their term began talking about an "economic apertura." But by then there was time only for a statement of purpose.

List of Options

The new administration has stated that it will continue the strategy of paying off our external liabilities as they were contracted. A debt rescheduling is not seen as an immediate option. Of course it also aspires to bring about social development and, above all, to carry forward its program of economic apertura, which, as we have said, requires an overhaul of industry and substantial improvements in port infrastructure, the road system, telecommunications, scientific research, and technology. The question mark in connection with all these goals, especially when they are to be achieved simultaneously, is their financial feasibility. If the administration that left office on 7 August 1990 had to postpone or appreciably cut back its social spending to fulfill its obligations to international banks, we wonder what will happen during the next four years with the financing not only of government social spending but also of the ambitious program to modernize our production machine, if the administration insists on not rescheduling our onerous foreign debt. If the Barco administration was unable to achieve two of these goals simultaneously, will Dr. Gaviria's administration be able to achieve, besides these two, a third one: economic apertura? Let's hope so, for the good of our country. But given the burden of our external liabilities and the restricted flows of international capital, the challenge is tantamount to a problem with more unknowns than equations.

A rescheduling of the foreign debt of the government, of the electric-power companies, and of Carbocol [Colombian Coal, Inc], among others, is absolutely imperative if economic apertura is to be successful. Paying off these liabilities is a drain on our resources that detracts from our ability to finance the government's economic and social objectives. A debt rescheduling is, of course, a necessary but insufficient condition for guaranteeing the implementation of any national development plan. Given the position in which the nations of Latin America currently find themselves in their relationship with their traditional suppliers of international credit, a change in project-financing arrangements is indispensable. We must foster more direct foreign investment; foreign capital must play a bigger role in the construction of major infrastructure projects, even if this means modifying the distribution of profits or the use of earnings. The country has to economize in the case of high-risk investment that is heavily capital-intensive during the execution phase. This is the case not only with the mining projects for which some initial prescriptions that must be honed further have already been tried. It is also the case with urban mass-transit projects or the construction of tunnels along our highways, which ought to be financed under leases to foreign firms that are interested in providing this sort of service.

Imaginative Financing

The process of privatizing certain state-run enterprises should also be intensified, not only to enhance their efficiency but also to seek financing arrangements that will make possible a larger role for private domestic or foreign capital. By setting forth clear-cut ground rules we should encourage private investors to provide financing for certain public utilities, such as the telephone and electric-power companies. If gas is produced and distributed under a partnership of public and private capital, the same can be done with electric power. This is, in fact, how Colombia's first electricity firms operated. It bears emphasizing that the losses in transferring and distributing natural gas are minimal, whereas in the electric-power sector they amount to one-fourth of output, which is an enormous financial drain. The role of private management unquestionably explains the huge difference between the losses of these two energy subsectors.

In summary, unless the foreign debt of the government and certain state-run agencies is rescheduled and unless bold and innovative financing arrangements are adopted

in critical activities and sectors of public investment, this administration's economic apertura, like the previous one's eradication of poverty, will be nothing more than a praiseworthy goal or a good intention.

The internationalization of the Colombian economy means more than just the inflow of expected revenues; it also means an initial investment that demands outlays in the short run. Like every profitable investment, it carries a cost that must be financed.

* Crisis in Electric Power Sector Discussed

* Privatization Promoted

90SM0276A Bogota EL TIEMPO in Spanish
12 Sep 90 p 9-b

[Commentary by Jaime Mejia Mazuera]

[Text] The future of the electric-power sector depends on reforming its inefficient administrative structure and starting to privatize energy generation. This is the only way to straighten out the system.

Experts consulted by EL TIEMPO feel that the electric-power sector is faced with administrative problems that represent a very costly burden of bureaucracy and inefficiency. Moreover, it is now time for private enterprise to think about producing its own electric power.

German Jaramillo Olano, the former manager of Interconexion Electrica S.A. (ISA) and currently the president of Cadenalco, thinks that certain positive aspects of how the electric-power sector has been managed ought to be salvaged and that a reform revolving primarily around privatization must be undertaken.

But how to privatize? Jaramillo mentions several options. One is them is for large companies to acquire their own energy generator. This option is called self-generation and must be preceded by very clear ground rules.

One of the rules is that businessmen will have access to soft credit lines so that they can purchase the costly generating equipment. In addition, the government must pledge to buy the surplus energy as soon as an industry does not need all of its generator's capacity.

This is not a new option. In countries such as the United States, 77 percent of the electric-power sector is already in private hands. Moreover, power was also produced privately in Colombia at first.

Other experts agree with Jaramillo; one of them is Rodrigo Pulido, the former manager of the Colombian Electric Power Institute (ICEL) and a private consultant. The country's electric-power enterprises are faced with a difficult marketing problem. The ones that provide power to big cities with major industrial centers are not in trouble.

Yet a good many regional enterprises are generating energy for regions where demand is low: towns without industry, commerce, or major residential centers. This means that they cannot charge the commercial rates that in practice keep an electric-power enterprise stable.

The former ICEL manager emphasizes that "in many cases it would be preferable for an enterprise in a small town to regulate the supply of energy because the rate is not high enough even to pay the personnel who read customers' meters."

There are several solutions here. For example, big enterprises that have a good market and, by and large, sell energy to small towns could set subsidized rates.

For instance, if the average cost of a kilowatt is 10 pesos, the enterprises in big cities could sell it to customers for 18 pesos. This would enable them to recover their cost. But the small enterprises often have to sell it at eight pesos, in other words, at a loss. This means that they need to buy subsidized energy.

The views converge on a common point. There are too many electric-power enterprises and they represent an excessive burden on the national budget. Moreover, these enterprises are strongholds of patronage in which regional bosses place part of their quota of bureaucratic staff.

In the opinion of Jaramillo, Pulido, and another government expert, all of whom EL TIEMPO consulted, for this reason the proposal to eliminate electric-power companies and establish one large national enterprise to run the electric-power sector is not viable from any standpoint.

Solutions that entail less of a political cost must be sought. One of them would be for the enterprises in big cities to take administrative control of the smaller, regional ones. This would cut administrative costs and integrate the markets with a heavy and light demand for power.

The priority is to eliminate the transfers that government is now forced to make to the electric-power sector. The sector has to be self-sufficient in generating its own investment funds and must offer enough guarantees for multilateral banks to approve the necessary loans.

Another important point is that the sector has not pursued the most appropriate investment policy. The thinking has always been that disproportionately large projects are preferable to meet the constantly increasing demand.

Pulido explains, however, that the financial cost of such projects is too high and that they are responsible for the unmanageable size of the electric-power sector's debt.

The policy of the future must be to construct smaller generating plants that are tailored to the demand for energy. Even if the cost of these projects is higher, it will be offset by less external borrowing.

* Debt Restructuring Needed

90SM0276B Bogota EL ESPECTADOR in Spanish
16 Sep 90 p 3-b

[Commentary by Carlos Rodado Noriega]

[Text] Of all the public utilities that are provided in the country, electricity has the greatest coverage both in urban areas (almost 100 percent) and in the countryside. In order to reach these levels of coverage the sector has had to make sizable investments that would have been impossible without taking out foreign loans, the amortization of which represents today the most serious challenge to Colombia's economic policy.

The electricity sector has faced a series of recurring financial crises. A crisis in 1974, a crisis in 1976, a crisis in 1979, and from then on a crisis every year. The sector's red ink grew from $260 million in 1978 to more than $1 billion in 1989. In a bid to end these persistent deficits refinancing mechanisms were resorted to, but they have brought nothing more than temporary relief, while the underlying causes remain and the financial woes grow worrisome and dramatic.

Real Causes

The diagnosis is always administrative inefficiency, operating costs, energy losses, and overdue bills. All of this is true. But what has most hurt the enterprises in charge of supplying electric power are other factors beyond their control: interest rates, maturities of foreign loans, and above all, the devaluation of our currency.

In recent years the national government has speeded up the pace at which the exchange rate is adjusted and during certain periods has acted with striking vigor. Its praiseworthy purpose has been to make our exports more competitive. The electric-power sector imports equipment, machinery, and engineering services from the industrialized nations, all of which must be paid for in foreign currencies, while the revenues of the electricity companies come from the sale of a service that is paid for in pesos. This would not be a major problem if our country had a more equitable distribution of income.

Unfortunately, the national reality is otherwise, as a high percentage of income is concentrated in a few hands, while the overwhelming majority of the population struggles at subsistence levels. This makes it very difficult to pursue a rates policy aimed at the sector's financial equilibrium.

Financial Gap

The frame of reference for the rates policy of Colombia's electricity sector is Resolution 086 of 1986 of the National Rates Board. Under it, rates must reflect the long-range incremental cost of providing the service. In other words, the goal of each enterprise must be to charge for the electricity it sells an average price equivalent to what it would cost to produce the power in new plants. A system of differential rates does, of course, allow higher-income customers to be charged more and lower-income ones to be charged less.

Nevertheless, in Colombia the pace of devaluation has exceeded by a significant amount the increase in the average nominal rate; thus, the cost of servicing the foreign debt has been rising faster than the revenues from power generation. The funds that the electric-power sector generates internally are barely enough to cover operating expenses and 70 percent of the debt servicing, and of course not a single peso is left to finance new investment.

The average rate of the national grid in 1989 covered 68 percent of the total cost of providing the service. As we can see, this is a significant gap, and any attempt to bridge it by charging customers more for electric power would be in vain, requiring enormous sacrifices to achieve very modest progress.

According to the projections of the National Electricity Finance Company (FEN), even if all of the goals of the so-called Sector Adjustment Plan were achieved, including higher rates (such as have been recently decreed), smaller losses, the receipt of past due bills, and control of operating expenses, the funds generated internally would still be less than debt servicing over the next few years. The FEN estimates that in 1990 the sector's own revenues could reach $815 million, while debt servicing will top $1 billion.

A Bold Proposal

In order for the electric-power sector to rise above the predicament in which it funds itself, a rescheduling of its foreign debt is absolutely indispensable; this does not mean, however, that the nation cannot absorb part of it, as has happened in Mexico and Chile.

The economic "apertura" [economic liberalization] demands a devaluation. But a devaluation that favors exports has an enormously adverse effect on the electric-power sector, which borrows dollars and sells its services for pesos. As long as the electricity sector is not protected against sharp exchange-rate swings (the peso vis-a-vis the dollar and the dollar vis-a-vis other hard currencies), there will always be financial difficulties. Therefore, we should look into the possibility of creating an Exchange Risk Absorption Fund for the enterprises in the electricity sector. This writer formulated such a proposal two years ago in a lecture at the Colombian Studies Center.

The definition of exchange risk is arbitrary, and various criteria can be used in arriving at one. The important thing is to establish a mechanism that will stem the inordinate increase in external liabilities. The financing for the aforementioned fund could come from a combination of sources. The first could be an explicit appropriation in the national budget for that purpose. We could also think about earmarking all of the sector's indirect-tax revenues (duties, VAT, etc) for the Exchange Risk Absorption Fund.

In summary, the electric-power sector's serious financial problem is its total inability to pay off its debts to international creditors, a problem that cannot be resolved with makeshift refinancings such as those of Fodex [Foreign Currency Fund], which carry short terms and high interest rates. A long-term rescheduling is needed, with maturities of 30 years and more reasonable interest rates. But the difficulties arising from existing debt are not all that must be coped with; the sector must also be protected against the impact of future fluctuations of the exchange rate through a mechanism like the one that we have proposed here. If a way of dealing with these adverse factors is not found promptly, the electricity sector's financial crisis will worsen, and the entire country could wind up mired in a serious energy shortfall.

* Corruption Seen as Cause

90SM0276C Bogota EL TIEMPO in Spanish 14 Sep 90 p 5-a

[Editorial by D'Artagnan]

[Text] "We are already immersed in a subculture of dishonesty, one of the worst symptoms of which is, in fact, indifference" (EL TIEMPO editorial of last Wednesday).

It is almost unbelievable. While public-utility rates (telephone, water and sewerage, and electric power) rise month after month at a UPAC [constant purchasing power unit] driven pace that has busted the budgets of middle- and upper-middle-class families, the national planning chief, Armando Montenegro, notes on emerging from a regular meeting of CONPES [National Council for Economic and Social Policy] that "we do not yet have a decision, but clearly rates are one of the five fronts that the administration will be looking at to surmount the electricity crisis."

The crisis seems to be a major one, according to him and other officials, as the enterprises of the electric-power sector are in financial and administrative chaos, although the authorities are not giving a good explanation of why this is so. The fact is that according to press reports, the size of the increases has not yet been determined for each of the six levels of consumption, but Planning contends that hikes of 50 to 100 percent have to be authorized.

Appearing at the same time as this bad, extremely bad, news for Colombians were remarks by the attorney general before the House. He complained that administrative corruption is going beyond our borders and is now being quoted in dollars and that the importance of waging a head-on battle against illicit enrichment must be appreciated in its true dimension (not as retaliation or revenge against the political class) and seen as a tool for cleaning up government.

Nevertheless, the simultaneity of the two comments (by the national planning chief and the attorney general) is indeed dismaying to some, because the inefficiency of the electric-power enterprises can be ascribed to two causes: 1) The fact that in certain capitals (Barranquilla is a good example), public utilities have become, by force of habit, a grotesque political source of plunder in which the majority steals and the minority works, producing an extremely bad bottom line for customers; 2) The fact that more than a few managers of state-run enterprises decided some time ago to line their pockets through the extremely dangerous system of receiving invisible kickbacks from biddings or contracts. It is common knowledge in Bogota that this is exactly what was done by more than one crafty fellow, either in EDIA [District Enterprise of Public Services] or in Electric Power, or both....

So when the attorney general speaks of illicit enrichment (illicit enrichment quoted in dollars today), the truth is that the present suspects are not the only ones who ought to be investigated; past ones in particular ought to be. In one way or another—and to what an extent!—they helped to bring financial ruin to the enterprises under their management, and they did so brazenly and without ever receiving legal, moral, or social sanction. Quite to the contrary. Oddly enough they disguised themselves as philanthropists and are now enjoying the nightlife around Europe, in the knowledge that far from the noise of interest groups no one is going to remember their escapades, because their possible accomplices also wound up minding their own business...

As for the first cause, it is no surprise why the M-19 won in so many capitals and cities along the coast in the most recent presidential election. This was, in fact, the protest vote of people who, having been released by their shepherd from the flock of congressional elections, finally decided to mark their ballots the way they felt like it, and the great majority of them, revealingly, voted against the shepherd. I do not know whether the militants of the "EME" [M-19] are in the end going to be the best defenders of the rights of the voters who cast their ballots to support them against the very clear-cut interests of the traditional political class. It is thus surprising that as winners they are not now occupying the posts to which the citizenry elected them, offering the simplistic argument that not every peace process can be as advantageous and speedy for its principals. It is a fact, however, that the votes for the M-19 in Barranquilla were cast against all those who have directly or indirectly plundered the city's public enterprises to death. An unquestionable political fact. And a worrisome one.

Many will thus have to tighten their belts even more because of the nationwide hikes announced in electric-power rates, while alternatives such as gas arrive and spread, helping in some way to take pressure off family budgets that are being increasingly hard hit with each passing month. It is indeed unjust, however, very unjust to speak so glibly of a financial and administrative crisis in almost all the enterprises in the electric-power sector when we know in advance that the juiciest deals of illicit

enrichment took place in them in broad daylight and apparently without any watchdog agency saying so much as a word.

So then, let us hope that the investigations that the Public Ministry is conducting catch up with more than just the modest, mid-level officials in customs and the DATT [Administrative Department of Traffic and Transportation]. Let us hope that they also nab the highfalutin bandits who are today serving champagne and caviar for dinner (and other little affairs), using money that they "ripped off" from poor customers. These customers are once again being put upon without having any right to protest; they have no choice but to pay what big daddy government charges, or else big daddy government turns off their electricity. Just like that. Case closed!

Ecuador

Bucaram Dismissed in Special Congress Session

PA1910014790 Quito Domestic Service in Spanish 0053 GMT 19 Oct 90

[Statement by acting secretary of the Ecuadoran Congress, Deputy Manuel Salgado, from the Congressional Building in Quito—live]

[Text] Out of the 38 honorable deputies present in this special session, 37 deputies have voted in favor of the resolution under discussion and one against. [applause] President of the Congress Averroes Bucaram has, therefore, been dismissed from his post and the post is declared vacant according to the regulations of the National Congress. [applause]

Likewise, the secretary of the National Congress [not identified by name], has been dismissed from his post and that position is also declared vacant. A vacuum has been created in the National Congress, and the Constitution stipulates that this vacuum must be filled. The deputies must, therefore, now present their proposals. We now declare a 15-minute recess.

Bonilla Oleas Elected President

PA1910030490 Quito Domestic Service in Spanish 0222 GMT 19 Oct 90

[Swearing-in ceremony for the new president of the Ecuadoran Congress, Edelberto Bonilla Oleas, by special secretary of the Congress, Deputy Manuel Salgado, during special congressional session, from the Congressional Building in Quito—live]

[Text] [Salgado] Out of the 38 honorable deputies present in this special session, 34 have voted for the Honorable Edelberto Bonilla Oleas [applause] as president of the Ecuadoran Congress; three have voted for the Honorable Luis Ponce Palacios [applause]; and one has abstained. The honorable Deputy Edelberto Bonilla Oleas has, therefore, been elected president of the honorable National Congress. I now invite him to step forward to take the oath of office. [applause] Edelberto Bonilla, deputy of the National Congress: Do you promise on your honor to defend the Constitution and the laws of the Republic, and the internal regulations of the Congress within its legislative functions and in carrying out your role as president of the honorable National Congress?

[Bonilla] I promise.

[Salgado] Inasmuch as you have promised to do so, may the fatherland and the people honor you. Indeed, they themselves will demand you do so. You are now formally installed. [applause]

[Bonilla] Thank you.

New Secretary Elected

PA1910033890 Quito Domestic Service in Spanish 0246 GMT 19 Oct 90

[Statement by acting secretary of the Ecuadoran Congress, Deputy Manuel Salgada, from the Congressional Building in Quito—live]

[Text] Out of the 38 deputies present in this special session, 31 have voted for Camilo Restrepo for secretary of the congress; three have cast blank votes, and according to our regulations these are added to the majority, so this makes a total of 34 votes; two voted against [as heard]; and two voted for (Manza Ruiz). Camilo Restrepo is, therefore, declared to be secretary of the Ecuadoran Congress. [applause]

Paraguay

German, U.S. Envoys Asked To Explain Remarks

PY1910021690 Asuncion RPC Television Network in Spanish 2230 GMT 18 Oct 90

[Excerpt] During an ordinary session of the Chamber of Deputies this morning, Colorado Party Deputy Carlos Duarte Torres talked about remarks on our internal situation by German Ambassador Heinz Scheneppen and U.S. Ambassador Timothy Towell. The deputy asked both diplomats to clarify the meaning of their remarks.

[Begin Duarte recording] It would be interesting, Mr. President and Honorable Chamber, if both foreign citizens with first level diplomatic representation would clarify whether their respective remarks or expressions were personal or if they were made as direct representatives of Chancellor Helmut Kohl of Germany and President George Bush of the United States, respectively, because the German Government as well as the U.S. Government, in repeated remarks on our relations, have said that our countries maintain excellent cooperation, development, and trade relations. [end recording] [passage omitted]

Peru

Terrorists Carry Out Various Attacks in Lima

Attack German Embassy, Other Targets

PY1910150890 Madrid EFE in Spanish 0421 GMT 19 Oct 90

[Text] Lima, 18 Oct (EFE)—At least four persons died today in Lima as a result of terrorist attacks, including one against the German Embassy.

German Ambassador to Peru Johannes von Vacano reported that the explosive device, which the police say weighed approximately two kilos, did not cause any serious damage or victims. A police spokesman reported that the explosive device damaged buildings within a 100-meter radius of the embassy, which is on Arequipa Avenue, one of Lima's main thoroughfares.

This the first time that the German Embassy in Lima has suffered an attack, although the U.S., Soviet, PRC, Mexican, Nicaraguan, Italian, Indian, and Brazilian Embassies have been targeted in terrorist attacks in the past.

Terrorists presumably belonging to the Maoist Shining Path armed organization, which has been on the warpath for 10 years now, tonight attacked electricity installations, a factory using Canadian capital, a foundry, and a state mining enterprise office in coordinated actions. They also detonated explosives in two parks, one in Lima and one in the neighboring port of El Callao.

According to police, three persons died in a bomb attack against the Callao Foundry, and a private guard was killed in an attack on the Bata shoe factory, which uses Canadian capital. The factory was set on fire.

The terrorists destroyed at least three electricity pylons in districts in eastern Lima and there were isolated blackouts in several sections of Lima. In Canto Grande District, near the main prison where terrorists are held, there was a confusing shoot-out about which the authorities have not released any details.

Fires set up in the shape of the hammer and sickle appeared in the hills of the Lima neighborhood of Surco. The hammer and sickle is the Shining Path's usual propaganda symbol, and this arrangement is why that organization is believed to be behind these attacks.

According to police, explosions damaged Minpeco [Peruvian State Mineral Marketing Company] offices near the German Embassy; Santa Anita Park, in Lima's industrial section; and the Dos de Mayo Park in El Callao.

This is the third consecutive day that Lima has endured terrorist attacks. Two nights ago 13 buses belonging to a public transport enterprise were set on fire and last night six Education Ministry offices and the Human Sciences College of the Federico Villarreal University were attacked.

MRTA Blamed for Ministry Attack

PY1810141990 Madrid EFE in Spanish 0650 GMT 18 Oct 90

[Text] Lima, 17 Oct (EFE)—The Peruvian National Police have reported that at least six terrorist attacks were carried out in Lima on 17 October against Education Ministry administrative offices and the Federico Villarreal University, resulting in serious property damage.

The source added that alleged members of the Tupac Amaru Revolutionary Movement (MRTA, Marxist) threw bombs at Educational Service (USE) offices in the districts of Jesus Maria, San Martin de Porras, and La Victoria. Another alleged MRTA group started a huge fire on the premises of the Federico Villarreal University in the Lima district of La Victoria.

The police source blamed MRTA militants for the attacks because pamphlets from the rebel group were found at the scene of the attacks.

Fujimori Comments on New Agriculture Minister

PY1910030090 Lima Television Peruana in Spanish 0100 GMT 19 Oct 90

[Excerpt] After regretting the resignation of Agriculture Minister Carlos Amat y Leon, President Alberto Fujimori admitted that the agriculture sector is going through a difficult situation as a consequence of drought, a lack of credits, and the decapitalization of the farming sector. He also said the name of the new agriculture minister will soon be revealed to the public. The future minister, he said, will be a 1961 or 1962 graduate of the National Agrarian University. The president also referred to the gasoline shortage and the increase in food prices.

[Begin recording] [First reporter] Regarding the agriculture minister's resignation today at noon, do you see it as your administration's first cabinet crisis?

[Fujimori] I would say it is the first resignation of a minister.

[First reporter] [Words indistinct] discrepancies?

[Fujimori] It will not be the last resignation either. Resignations are normal in an administration. I certainly regret the decision of Engineer Carlos Amat, an honest and competent professional, who I greatly appreciate. However, it was his personal decision.

[First reporter] [Question indistinct]?

[Fujimori] Well, I repeat, they were personal reasons, something on which he himself decided, and I respect his personal decision.

[First reporter] Who will replace him?

[Fujimori] We are considering some names. We do not know if it will be a 1961 or 1962 graduate. I mean, a 1961 or 1962 graduate of the Agrarian University.

[First reporter] It is said that the agriculture minister had some problems with some officials you supported. Is that true? Is that why he resigned?

[Second reporter] [Question indistinct]?

[Fujimori] Yes. That is one of the reasons, besides his personal reason. There has been a discrepancy in this aspect, but it is really not something to worry about because Engineer Carlos Amat states in his letter that he agrees with our economic program, which he said is correct, and he acknowledges the efforts within this program. [passage omitted] [end recording]

Petroperu Strike Causes Gasoline Shortages

PY1910031090 Lima Television Peruana in Spanish 0100 GMT 19 Oct 90

[Excerpts] Gasoline shortages caused by Petroperu [State Petroleum Agency] workers strike continue to create problems for car owners and the urban bus transport system. Endless lines in front of service stations are the picture of the crisis. A leader of the Petroperu workers said they will continue with the strike if their collective contract is not respected. [passage omitted]

Jaime Quijandria, Petroperu board of directors president, has confirmed that the gasoline supply will return to normal when the strike ends in a few hours. Quijandria said the problem could not be avoided due to a lack of transport.

Mines and Energy Minister Fernando Sanchez called on Petroperu workers to ponder their demand for an excessive salary increase because the economic adjustment program was at risk. The minister added that any salary increase will affect the final price of gasoline sold to the public. [passage omitted]

Former President Responds to Graft Charges

PY1810110390 Lima Television Peruana in Spanish 1100 GMT 17 Oct 90

[Text] Former President Alan Garcia Perez has told the congressional Investigative Committee that property owned by him was purchased with his legally declared income. He said he will appear before Congress whenever necessary.

[Begin Garcia recording] The charges state that my property holdings have increased disproportionately. I do not believe that having a home in Chacarilla and a small house in (Inaplo) constitutes a disproportionate increase in my property holdings. The charges also state that my income was not enough to justify these properties. I am answering these charges by presenting you with this diagram showing that from 1977 to 1987, my income totaled $370,000, which was declared to the Revenue Office and registered in detail at the Lima Public Registration Office. My income was $370,000 and my expenses were $260,000. Therefore, my estate is justified by my income. Those who have made these charges against me did not know that I had declared my income. [end recording]

Minister Comments on Drugs, Nuclear Threat

PY1810172790 Lima Television Peruana in Spanish 0100 GMT 18 Oct 90

[Text] Defense Minister General Jorge Torres Aciego has commented on reports that a Chilean enterprise is manufacturing nuclear weapons. He said that he disagrees with the idea of manufacturing this type of weapon. He also referred to a comprehensive program to confront narcoterrorism with the help of other countries.

[Begin recording] [Unidentified reporter] Given that no agreement has been signed with the United States for the struggle against drug trafficking, how effective is the Defense Ministry in this struggle?

[Torres] Having no economic support from other countries does affect us, but this does not mean that we are not prepared to face subversion. We are prepared and we will use other sources. The United States has expressed its willingness to continue to support us. We hope that this is true, and we hope that this support will not just be military support but support for all development sectors.

[Reporter] Will the signing of the agreement be reconsidered?

[Torres] No. It is not a question of reconsidering. The situation is being handled at a higher level. The president must make the final decision. We want overall support—that is, support that embraces not just the military aspect, but also transport, education, housing, health, and other aspects.

[Reporter] What other sources will you approach for this support?

[Torres] There are countries interested in supporting us because I believe we are all partly responsible. Both producer and consumer countries are interested in the eradication of coca crops. As such, they must also cooperate.

[Reporter] Minister, the people are worried because Chile is taking a lead in manufacturing and testing a nuclear bomb. What can you tell us about this?

[Torres] Well, I have no official reports, although something like this is really worrisome; however, we believe in the good faith of governments. At this moment we have democratic governments in Peru and in Chile, and we are holding bilateral talks here in Lima with delegations of the Chilean Armed Forces to achieve a climate of peace, relaxation, and mutual confidence. I am absolutely confident that this project will not prosper even

though the reports we are receiving are a bit alarmist. We are expecting an official report and then we will be able to give you further details. [end recording]

Concern Over Chilean Arms Advances Voiced

PY1810182890 Madrid EFE in Spanish 0241 GMT 17 Oct 90

[Text] Lima, 16 Oct (EFE)—Peruvian congressmen today voiced concern over the alleged manufacture of a powerful bomb and the export of cluster bombs by Chile's Cardoen Industries. They also believe that this situation could create an arms race in South America.

Socialist Enrique Bernales, vice president of the Senate, said that any investment in weapons should concern the international community and should not be regarded as a problem that only affects neighboring countries. Bernales stressed the need to quickly implement measures that can help to promote disarmament because "it makes no sense" to spend money on weapons which "will finally cause death or halt national development."

Alberto Borea, senator for the conservative Christian Popular Party, told the Lima newspaper EL UNIVERSAL that American countries "especially" should be "very careful" with the arms race. Borea said it was necessary to stop producing "lethal" arms with resources that could be earmarked for investigations that can contribute to the development of nations.

He said that the Peruvian Foreign Ministry should act cautiously and learn the details of the news so that the government can have access to all the facts in making "the best decision for the country's interests."

Deputy Jorge Flores, a retired general and war minister under former President Alan Garcia's administration, said that he was "extremely concerned" about the news from Chile.

International news agencies have reported that Chile's Cardoen Industries is producing a "fuel-air explosive (FAE) bomb," which is as powerful as a tactical nuclear device, according to the Santiago newspaper LA EPOCA. LA EPOCA has reported that Cardoen Industries has been supplying cluster bombs to Iraq since 1982 and to Ethiopia since 1989. The paper also noted that the first FAE tests were carried out in August 1989 in Iquique, some 2,000 km north of Santiago.

Cardoen General Manager Ismael Vicuna said in Santiago that it is not true that Cardoen is manufacturing such a bomb, which is considered the "poor man's atomic bomb." He admitted, however, that "some studies" have been made.

Flores said that he was especially concerned to hear that Chile has been manufacturing and exporting cluster bombs for some years because that country "is not only obtaining foreign exchange and improving its economy, but it is also in the vanguard in the production of conventional bombs."

The congressman stressed that "even without the FAE, the continental weapons balance is upset because of this other bomb."

Deputy Freddy Ghilardi of the center left American Popular Revolutionary Alliance (APRA), a member of the Defense Committee of his chamber, said that "the information again raises the need to re-create the National Defense Fund so that our Armed Forces can replace obsolete war materiel."

Ghilardi told the newspaper that "the FAE upsets the weapons balance and represents a serious danger for our future."

The current situation came about as a Chilean Armed Forces delegation is visiting Peru. The delegation is participating in its fifth meeting with Peruvian colleagues within the framework of the Agreement on Cooperation, Progressive Limitation of Armaments, and Rapprochement between the two countries.

The Chilean military delegation, which is headed by Air Force General Ramon Vega Hidalgo, met with Peruvian President Alberto Fujimori at Government House on 15 October.

Peru and Chile fought the so-called War of the Pacific during the 1800's, and territory in southern Peru passed into Chilean hands after the conflict.

Paper Reports Research on Drug Activities

PY1810214390

[Editorial Report] Lima LA REPUBLICA in Spanish on 3 October carries on pages 11, 12, and 13, a 3,000-word article by Angel Paez entitled "Coca is Turning Peru Into a Drug-Addicted Country." The article discusses coca production and its economic impact on Peru.

The article is "a juicy first report on the results of research carried out by the Peruvian Studies and Research Association for Peace [Asociacion Peruana de Estudios e Investigacion para la Paz - APEP]." This organization is not further described but it is headed by Father Felipe Mac Gregor S.J. [Society of Jesus]. The APEP report, which was carried out with the aid of the UNFDAC [United Nations Fund for Drug Abuse Control], is part of "an exhaustive study on drug trafficking in Bolivia, Colombia, and Peru."

The article begins by referring to the amount of coca produced in Peru in 1989. This figure is responsible for 11 percent of the Peruvian GDP for that year. Coca production, it states, "comes from two main sources: one, from established peasant farmers" and two, "from immigrant peasants who burn, fell, and defoliate large extensions of forest to illegally cultivate coca."

"Apart from the 600,000 Peruvians who, directly or indirectly, depend on coca cultivation, drug traffickers have

opened business networks to launder money. These businesses include services, restaurants, general commerce, leisure, and financial middlemen services which cause a great impact on our economy," the APEP experts say.

The article continues: "The Alto Huallaga towns are great centers of attraction. The average population growth rate in this area is 4.2 percent while the national average population growth rate in Peru is 2.6 percent." This explains the great migration to these towns: "Coca producers invested $100 million, sold their produce for $700 million, and obtained a $600-million profit in 1989." "The reason why three quarters of the peasants in the Alto Huallaga valley cultivate coca is because they obtain $4,000 per hectare profit," which is double the amount they would obtain if they planted a legal product. "The economies of the coca producing departments," the article continues, "grew noticeably from 1980 to 1987 in comparison with the rest of the country. During that period, the GDP of the coca producing areas doubled" in comparison with that of the rest of the country. The APEP experts assert that "Peru is a 'drug-addict' country because it depends on drugs for its vital hard currency supply."

The studies "carried out by the APEP are based on an average production of 150,000 hectares of coca per year, although it is estimated that the coca cultivated area in 1990 totalled 270,000 hectares." Thirty percent of the "total planted area of the Amazon region is planted with coca and eighty percent of the established farming land has been planted with coca."

However, "there is another consequence that has not come to the attention of the antinarcotic policies of the Peruvian state: the ecologic impact and the consumption."

Every year "approximately 150,000 cubic meters of kerosene, 1,800 tons of concentrated sulfuric acid, 2,500 tons of potassium carbonate, 1,800 tons of ammonia, and 1,800 tons of potassium permanganate," are dumped "into the rivers, killing flora and fauna species in the jungle area." To this we must add "the damage caused by the coca peasants who fell forests and defoliate trees with chemical products and insecticides in large areas of the virgin jungle." According to APEP experts, "when a jungle area is cleared for planting coca, the ground is exposed to rain and erosion. Because rains are frequent and intense in these areas throughout the whole year, and because the ground is not flat, it quickly becomes eroded. With the current rate of soil erosion in the higher jungle area, it will turn into semidesert in a few decades."

In a separate 600-word inset which explains the effects of drug consumption on the human body, researchers Raul Jeri and Julio Cesar Perez report that the number of cocaine base addiction cases in the Hermilio Valdizan Hospital have increased from 34 in 1977 to 602 in 1981.

On 4 October, Lima LA REPUBLICA publishes another 3,500 article by the same author entitled "Consumer Countries Should Finance the 'Anti-Coca War.'" This article deals with antidrug strategies and is based on the same sources as the first article. The APEP experts recommend that "coca production in Bolivia, Colombia, and Peru must be eliminated without provoking a socio-economic crisis and that consumer countries (United States and Europe) should make an effort to finance the antidrug operations and to compensate for the loss of illegal income" in producer countries.

The article describes the theory of legalizing cocaine consumption. It theorizes that profits should be used to destabilize the illegal drug market and to finance addiction recovery programs and development programs in coca-producing countries. Doctor Ramiro Castro de la Mata, a Peruvian drug expert, argues, however, that this alternative is unethical: "To allow the population free access to drugs is not ethical, it is questionable even if controlled."

Another strategy analyzed by the APEP experts would hold coca-producing countries responsible for the drug trafficking problem. It argues that consumer countries should attempt to close their borders to coca traffic and send small amounts of money to producer countries for development programs and repressive operations.

According to the APEP experts "these actions have not yielded positive results in the struggle against drug trafficking. On the contrary, they have been thoroughly defeated." This strategy, according to the APEP, "is the one applied by the United States. Despite the fact that President George Bush accepted the shared responsibility principle in the Cartagena Agreement, the United States has not ceased to put all the blame on the producer countries."

The article also discusses the strategy which holds consumer countries responsible for the drug problem. Consumer countries should be primarily responsible since drug trafficking profits are six times greater in consumer countries than in the producing countries.

The APEP recommends that "consumer countries should try to stop drug from entering their territory and producer countries should try to control coca production: this is the basic substantial agreement that must be reached, and based on this, the consumer countries must try to raise the funds to finance the strategy." The shared responsibility principle implies that the economic damage that coca eradication will cause in the producer countries must be compensated by the consumer countries. "The APEP thus proposes that the consumer countries facilitate subsidies and ensure markets for the crops that will be planted to substitute the coca crop."

The article cites the opinion of Democratic Front Senator Manuel Moreyra Loredo, an APEP member, who maintains that an economic plan is necessary to replace the narcodollars that the country would loose if trafficking were eradicated. The problem must be tackled in the following way: First, control drug traffickers, then tackle corruption, education, the eradication of coca

crops, the control of chemical precursors, and the laundering of narcodollars. Peasants must also be educated so that they plant other crops rather than just coca.

The article states that the "success of the shared responsibility theory will only be possible if the U.S. Government abandons its former positions" and spends "enormous amounts of dollars in assistance, seeking to obtain medium term solutions rather than short term ones."

The article concludes by mentioning the possible implementation of a successful plan designed by General Alberto Arciniega Huby in the Alto Huallaga region, but it does not specify what the program is about.

Guyana

Hoyte: Election May Take Place 'After March'

FL1810203590 Bridgetown CANA in English 1929 GMT 18 Oct 90

[Text] Georgetown, Guyana, Oct 18, CANA—Guyanese may well have their general election after March 1991, President Desmond Hoyte has indicated. The official Guyana Public Communications Agency (GPCA) quoted Hoyte as saying that scrapping a controversial preliminary voters' list and having house to house registration of voters could entail an extention to the life of parliament beyond next March. GPCA said Hoyte told opposition leader Dr. Cheddi Jagan this during talks last Tuesday.

Political analysts here had been predicting elections by next December. Elections are constitutionally due by March 31.

GPCA said Hoyte and Dr. Jagan agreed that new legislation is needed to have the preliminary voters' list, published here recently, declared null and void and to provide for the registration of voters on a house to house basis. It said they also agreed that other legislation may be necessary to facilitate the preliminary counting of votes at the place of poll.

The agency said Hoyte told Jagan the house to house registration of persons can be a lengthy process and may well result in the need to extend the life of parliament. However, "Dr. Jagan said that he would have to examine the procedures to establish whether an extension of the life of parliament would be necessary," GPCA reported.

The discussions were held in the afternmath of last weekend's visit here by former United States President Jimmy Carter. Carter helped bridge the differences on electoral issues between Hoyte's ruling People's National Congress (PNC) and the several oppsition parties. That visit resulted in two major concessions by Hoyte—the compilation of a new voters list to replace the controversial one just released here and agreement that there should be a preliminary count of votes at the place of poll.

GPCA said the two leaders also exchanged views on the elections commission and agreed to continue their discussions on these matters at an appropriate time.

Meanwhile, the privately-owned STABROEK NEWS newspaper on Thursday commented on what it called "the two momentous concessions made by President Hoyte." It said the concessions, now gradually being absorbed in the public consciousness, "will tend to change the fundamental assumptions on which most (Guyanese) people have thought and acted for the last two decades." In the first place, the opposition, after 26 years in the wilderness, have to adjust the confrontationist approach, based on hopelessness, that has become endemic over the years. The elections may still not be entirely free from blemish but the key issues have been addressed," STABROEK NEWS said in an editorial.

The opposition, it added, must be vigilant to ensure that the new voters' list is properly prepared. It must also realise that "the time has come to shift the emphasis to positive, programmatic ideas." STABROEK NEWS continued: "What will they do, if they win power, to deal with the economic disaster that they inherit? Will they maintain the economic recovery programme based on International Monetary Fund approval and conditionalities? Will they try to renegotiate the IMF arrangement and along what lines? What about the joint venture deals with Booker Tate in sugar and Alcan and Reynolds in bauxite? Will they adopt and pursue these? Will they maintain the several agreements now in place with oil companies? The public is surely entitled to know."

The opposition People's Progressive Party on Thursday pressed ahead with its elections campaign. The PPP was reported to be considering Sam Hinds, a senior official at the state bauxite company Guyana Mining Enterprise, as running mate for leader Dr. Cheddi Jagan. Hinds was until last weekend chairman of Guyanese Action for Reform and Democracy (Guard), an anti-government pressure group.

A statement from Guard's steering committee says Hinds "has decided to make himself available for a more active political role (and) consequently, in accordance with Guard rules, he has relinquished his position on the steering committee".

STABROEK NEWS on Thursday quoted Jagan as saying while "it is not official yet," Hinds is agreeable to being his running mate.